NOVA SCOTIA

PUBLIC ACCOUNTS
VOLUME 2 – PART B
AGENCIES AND FUNDS

FOR THE FISCAL YEAR ENDED MARCH 31, 2007

THE HONOURABLE MICHAEL G. BAKER, Q.C.
MINISTER OF FINANCE

2008-02022/

NOVA SCOTIA

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MINISTER OF FINANCE

NOVA SCOTIA
Finance

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NOVA SCOTIA GAMING FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOVA SCOTIA GAMING FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

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NOVA SCOTIA
Office of the Auditor General

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AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Health Promotion and Protection

I have audited the balance sheet of the Nova Scotia Gaming Foundation for the year ended March 31, 2007, the statement of operations and changes in fund balances, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2007, the results of its operations and changes in fund balances, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, BA, CA•CIA
Auditor General

Halifax, Nova Scotia
May 18, 2007

NOVA SCOTIA GAMING FOUNDATION
BALANCE SHEET
AS AT MARCH 31, 2007

	2007	2006
Current Assets		
Cash (Notes 4 and 7)	$ 3,169,263	$ 3,603,253
Accounts receivable (Note 5)	40,793	63,590
Prepaid expenses	146	623
Due from Nova Scotia Gaming Corporation	54,933	59,368
	$ 3,265,135	$ 3,726,834
Current Liabilities		
Accounts payable	$ 14,830	$ 22,258
Grants payable	193,953	667,065
	208,783	689,323
Long-term Grants Payable	83,191	97,513
	291,974	786,836
Fund Balance		
Unrestricted	801,529	827,153
Community Development Account (Note 7)	2,171,632	2,112,845
	2,973,161	2,939,998
	$ 3,265,135	$ 3,726,834

See accompanying notes to financial statements

APPROVED BY:

Deputy Minister

Director

NOVA SCOTIA GAMING FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2007

	Unrestricted	Community Development Account	2007 Total	2006 Total
Revenues				
Nova Scotia Gaming Corporation	$ 354,728	$ -	$ 354,728	$ 421,100
VLT retailers	354,728	-	354,728	421,100
Bridge financing income	-	-	-	240,000
Interest	36,243	87,325	123,568	90,255
Miscellaneous	-	-	-	1,396
HST recovery	-	-	-	48,531
	745,699	87,325	833,024	1,222,382
Expenses				
Grants (Note 6)	465,742	68,538	534,280	1,059,289
Board meetings	23,504	-	23,504	18,156
Salaries and benefits	163,467	-	163,467	143,638
Travel	2,065	-	2,065	832
Professional fees	43,922	-	43,922	17,706
Office expenses and rent	32,623	-	32,623	24,290
	731,323	68,538	799,861	1,263,911
Excess (deficiency) of revenues over expenses	14,376	18,787	33,163	(41,529)
Fund balance, beginning of year	827,153	2,112,845	2,939,998	2,981,527
	841,529	2,131,632	2,973,161	2,939,998
Add (deduct): interfund transfers	(40,000)	40,000	-	-
Fund balance, end of year	$ 801,529	$ 2,171,632	$ 2,973,161	$ 2,939,998

See accompanying notes to financial statements

NOVA SCOTIA GAMING FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

Cash provided by (used in)	**2007**	**2006**
Operating		
Excess (deficiency) of revenues over expenses	$ 33,163	$ (41,529)
Change in non-cash operating working capital		
Accounts receivable	22,797	(56,596)
Prepaid expenses	477	(623)
Due from Nova Scotia Gaming Corporation	4,435	12,194
Accounts payable	(7,428)	8,299
Grants payable	(473,112)	206,947
	(419,668)	128,692
Financing		
Long-term grants payable	(14,322)	(176,010)
Increase (decrease) in cash	(433,990)	(47,318)
Cash, beginning of year	3,603,253	3,650,571
Cash, end of year	$ 3,169,263	$ 3,603,253

See accompanying notes to financial statements

NOVA SCOTIA GAMING FOUNDATION NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the *Gaming Control Act* and the *Provincial Finance Act*. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the *Gaming Control Act*, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the *Nova Scotia Gaming Foundation Regulations* by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. In February 2006, the Department of Health Promotion and Protection was created and responsibility for the Foundation was transferred to that portfolio. The Foundation is governed by a Board of Directors.

3. Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

4. Cash

Cash consists of the following:

	2007	2006
Cash – general	$ 937,426	$ 1,440,714
Community Development Account	2,231,837	2,162,539
	$ 3,169,263	$ 3,603,253

NOVA SCOTIA GAMING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

5. Accounts Receivable

Accounts receivable consist of the following:

	2007	2006
Accounts receivable - HST	$ 5,959	$ 51,865
Miscellaneous receivables	7,941	-
Accounts receivable – unused grants	16,140	-
Accrued interest receivable, general bank	2,972	5,418
Accrued interest receivable, Community Development Fund	7,781	6,307
Total	$ 40,793	$ 63,590

6. Grants

The Memorandum of Agreement (MOA) dated April 1, 2005 between the Foundation and the Office of Health Promotion and Protection (formerly the Office of Health Promotion) clarifies the types and amounts of grants to be funded by the Foundation. Grants up to the total amount of annual revenue less administrative costs, were disbursed as follows:

	MOA %	2007	Actual %	2006	Actual %
Knowledge development, translation and dissemination and community capacity building in problem gambling (1)	37.5%	$ 102,684	22%	$ 255,102	36%
District Health Authority directed operational funding	50.0%	363,058	78%	363,058	51%
Special funding allocation to the Department of Health Promotion and Protection for addiction-related priorities	12.5%	-		90,764	13%
	100%	465,742	100%	708,924	100%
Bridge Financing		-		310,182	
Interest grant payment to CHB (2)		87,325		56,000	
Returned grants (3)		(18,787)		(15,817)	
Total		$ 534,280		$ 1,059,289	

NOVA SCOTIA GAMING FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

6. Grants (cont'd)...

(1) In February 2007, the Minister of Health Promotion and Protection approved the reallocation of $90,000.

(2) As per section 8.0 of the MOA, the annual interest generated in the Community Development Account will be distributed to DHAs for provision to Community Health Boards (CHBs).

(3) As per sections 7.1.1, to 7.1.3 of the MOA, annual grant allocations which are not used must be returned to the Nova Scotia Gaming Foundation and re-invested in the principal of the Community Development Account.

7. Community Development Account

Section 8 of the Memorandum of Agreement between the Foundation and Department of Health Promotion and Protection (formally the Office of Health Promotion) requires the creation of a Community Development Account. The account was created in 2005-06. The annual interest generated in this account is to be distributed to the District Health Authorities for provision to Community Health Boards to support problem gambling. The fund balance is not to decrease below its initial level and will be increased annually if the Nova Scotia Gaming Foundation funding streams accrue a surplus.

8. Commitments

As of March 31, 2007 the Foundation had total lease commitments of $37,623.

2008	$	13,095
2009	$	12,264
2010	$	12,264

9. Employee Post-Retirement Benefits

Employees of the Nova Scotia Gaming Foundation participate in the Nova Scotia Association of Health Organization's Pension Plan. The Plan is a contributory defined benefit pension plan. The Foundation had no liability for employee post-retirement benefits as of March 31, 2007.

10. Related Party Transactions

The Foundation is related to all other departments, agencies, boards and commissions of the Province of Nova Scotia. Transactions with other provincial entities were entered into in the normal course of operations. See Note 6.

11. Comparative Figures

Certain of the prior period comparative figures have been reformatted to conform to the financial statement presentation adopted in the current period.

Financial Statements of

NOVA SCOTIA GOVERNMENT FUND LIMITED

December 31, 2006

Deloitte

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Independent Auditors' Report

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2006 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
May 10, 2007

Member of
Deloitte Touche Tohmatsu

NOVA SCOTIA GOVERNMENT FUND LIMITED
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NOVA SCOTIA GOVERNMENT FUND LIMITED
Balance Sheet
December 31, 2006

	2006	2005 (Restated - See Note 6)
ASSETS		
Cash and cash equivalents	**$ 2,812,555**	$ 10,192,913
Prepaid expenses	**16,665**	15,961
Interest receivable	**350,547**	1,174,453
Loan receivable from and investment in Educational Services & Products (NS) Limited (Note 3)	**8,198,126**	7,114,038
Deferred financing costs	**32,958**	131,834
	$ 11,410,851	$ 18,629,199
LIABILITIES		
Accounts payable and accrued liabilities	**$ 71,120**	$ 328,989
Loan payable to Education Services & Products (NS) Limited (Note 3)	**-**	7,175,000
Notes payable (Note 4)	**10,250,000**	10,250,000
	10,321,120	17,753,989
SHAREHOLDER'S EQUITY		
Share capital (Note 4)	**1**	1
Retained earnings	**1,089,730**	875,209
	1,089,731	875,210
	$ 11,410,851	$ 18,629,199

Contingency (Note 3)

APPROVED BY THE BOARD

.... Director

.... Director

NOVA SCOTIA GOVERNMENT FUND LIMITED
Statement of Operations and Retained Earnings
Year ended December 31, 2006

	2006	2005 (Restated - See Note 6)
Revenue		
Interest	$ 596,566	$ 625,847
Expenses		
Interest	394,574	392,640
Amortization	98,876	98,876
Administration fees	64,090	7,774
Professional fees	21,265	58,483
Bank charges	39	41
	578,844	557,814
Earnings before equity method income	17,722	68,033
Income from ESPL accounted for using the equity method	196,799	109,408
Net earnings	214,521	177,441
Retained earnings, beginning of year, as previously reported	1,158,307	1,018,737
Prior period adjustment (Note 6)	(283,098)	(320,969)
Retained earnings, beginning of year, as restated	875,209	697,768
Retained earnings, end of yea	$ 1,089,730	$ 875,209

NOVA SCOTIA GOVERNMENT FUND LIMITED
Statement of Cash Flows
Year ended December 31, 2006

	2006	2005 (Restated - See Note 6)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Net earnings	$ 214,521	$ 177,441
Amortization	98,876	98,876
Equity method income	(196,799)	(109,408)
Changes in non-cash operating items	(7,296,956)	7,000,129
	(7,180,358)	7,167,038
NET CASH (OUTFLOW) INFLOW	(7,180,358)	7,167,038
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,192,913	3,025,875
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,012,555	$ 10,192,913
Cash and cash equivalents represented by:		
Cash in bank	$ 115,896	$ 48,584
Province of Nova Scotia promissory notes (unsecured)	2,696,659	10,144,329
	$ 2,812,555	$ 10,192,913
Supplementary cash flow information:		
Cash interest paid	$ 443,151	$ 331,607

NOVA SCOTIA GOVERNMENT FUND LIMITED
Notes to the Financial Statements
December 31, 2006

1. THE FUND

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

Deferred financing costs

Financing costs are deferred and amortized on a straight-line basis over the estimated term of the notes payable.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. NOTES PAYABLE

The notes payable are unsecured and bear interest at 1% annually. The Immigration Act of Canada (the "Act") stipulates that the funds of an investor are to be invested within nine months of receipt. However, the Fund did not meet this requirement for the majority of the funds received. The Fund was required to invest the funds in a minimum of two qualifying investments. An initial investment of $11,025,000 was made in Alderney Landing Limited and Nova Learning Limited in 1999. This met the investment requirement for 63 of the Fund's 104 notes.

NOVA SCOTIA GOVERNMENT FUND LIMITED
Notes to the Financial Statements
December 31, 2006

3. NOTES PAYABLE (continued)

On March 27, 2002, when 18 of these notes had been outstanding for five years and nine months, these were repaid. Citizenship and Immigration Canada ("CIC") objected to further repayments until completion of the five-year investment requirement under the Act.

After consulting with CIC, all investors were offered two alternatives after their notes had been outstanding for more than five years and nine months. Under Alternative 1, repayment dates were extended to the end of the five-year investment period with interest increased to the Province of Nova Scotia bond rate. Under Alternative 2, each investor, through an agent, was permitted to receive the proceeds of a loan from the Royal Bank of Canada, guaranteed by the Province of Nova Scotia in an amount not to exceed $240,000. Interest on the notes of these investors was increased to an amount equivalent to the cost of the loan. When the Fund is permitted to repay the notes to investors, the proceeds are used first to repay the Royal Bank of Canada with any remaining balance going to the investor or as the investor may direct.

During 2004, the notes of the remaining 45 investors whose monies had been placed in the first investment were repaid at which time any loans borrowed on behalf of these investors from the Royal Bank of Canada were repaid.

A second investment was authorized by the Fund in June 2000 in the amount of $7,175,000 to Education Services and Products (NS) Limited ("ESPL") to meet the investment requirements of the remaining 41 notes which remained outstanding on December 31, 2004. In 2005, following discussions with CIC, the Fund has agreed that the investment date relating to the second investment will be considered to be July 1, 2002 with the result that these 41 notes may not be repaid until July 1, 2007. The Fund also holds a 45% equity interest in ESPL. The investment is accounted for using the equity method of accounting.

On December 31, 2006, there were outstanding loans with the Royal Bank of Canada totalling $9,840,000 (2005 - $9,840,000) for 41 (2005 – 41) investors pursuant to Alternative 2. In 2005, two investors that had chosen Alternative 1 converted to Alternative 2 and the two remaining investors, which matured in 2005, also selected Alternative 2.

The asset balance is as follows:

	2006	2005
Loan receivable from ESPL	**$ 8,062,289**	$ 7,175,000
Investment in ESPL (equity method)	**135,837**	(60,962)
	$ 8,198,126	$ 7,114,038

4. SHARE CAPITAL

	2006	2005
Authorized:		
40,000 Common shares with no par value		
Issued:		
100 Common shares	$ 1	$ 1

The 100 common shares issued are held in trust for the Province of Nova Scotia by the Minister of Finance.

NOVA SCOTIA GOVERNMENT FUND LIMITED
Notes to the Financial Statements
December 31, 2006

5. FINANCIAL INSTRUMENTS

The fair value of the Fund's financial instruments approximate their carrying values given their short-term maturities.

6. PRIOR PERIOD ADJUSTMENTS

Management has determined that interest expense on notes payable was understated in the financial statements for the years 2002 through 2005.

In addition, management has determined that earnings from its investment in ESPL should be recognized using the equity method from 2002 to present.

The following table illustrates the impact of these transactions on amounts previously reported, as at and for the year ended December 31, 2005:

	Before Adjustment	After Adjustment	Change
Investment in ESPL	$ 7,175,000	$ 7,114,038	$ (60,962)
Accounts payable and accrued liabilities	(106,853)	(328,989)	(222,136)
Retained earnings, opening	(1,018,737)	(697,768)	320,969
Income from ESPL	-	109,408	109,408
Interest expense	(321,103)	(392,640)	(71,537)
Net earnings	139,570	177,441	37,871

NOVA SCOTIA HARNESS RACING INCORPORATED

FINANCIAL STATEMENTS

MARCH 31, 2007

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Management Responsibilities for Financial Reporting

These financial statements are the responsibility of the management of Nova Scotia Harness Racing Incorporated.

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles in Canada.

The responsibility of the Auditor General of Nova Scotia is to express an independent opinion on whether the financial statements of Nova Scotia Harness Racing Incorporated are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Nova Scotia Harness Racing Incorporated maintains books of accounts and systems of financial and management control, which provide reasonable assurance that accurate financial information is available and that assets are protected.

The Board of Directors reviews matters related to accounting, auditing and internal control systems.

Marie T. Mullally, FCA
President and Secretary

NOVA SCOTIA
Office of the Auditor General

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To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of Nova Scotia Harness Racing Incorporated as at March 31, 2007 and the statement of income for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA • CIA
Auditor General
Halifax, Nova Scotia
May 25, 2007

NOVA SCOTIA HARNESS RACING INCORPORATED
BALANCE SHEET
AS AT MARCH 31, 2007
(in thousands)

ASSETS

	2007	2006
Current		
Bank	$ -	$ -

LIABILITIES

	2007	2006
Current		
Accounts payable	$ -	$ -

See accompanying notes to the financial statements

NOVA SCOTIA HARNESS RACING INCORPORATED
INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2007
(in thousands)

	2007	2006
Revenue		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation	$ 1,000	$ 750
Expenses		
Contribution to Nova Scotia Department of Agriculture	1,000	750
	1,000	750
Excess of revenue over expenses	$ -	$ -

See accompanying notes to the financial statements

NOVA SCOTIA HARNESS RACING INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1) Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the *Companies Act* on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the *Nova Scotia Harness Racing Incorporated Regulations*.

In March 2006, the Government decided to provide $1,000,000 in 2006-07 (2005-06 – $750,000) to support the harness racing industry in Nova Scotia. $1,000,000 was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture. The Department of Agriculture managed the monies received from the Fund and determined how they would be distributed to the industry.

2) Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

3) Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value, which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

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AUDITORS' REPORT

To the Directors of the Nova Scotia Health Research Foundation

We have audited the statement of financial position of the Nova Scotia Health Research Foundation as at March 31, 2007 and the statements of revenue and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the Foundation as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Hunter Belgrave Adamson
Chartered Accountants

Dartmouth, Nova Scotia
May 10, 2007

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2007

	2007	2006
REVENUE		
Grant - Province of Nova Scotia	$ 4,907,000	$ 4,500,000
Grant refunds	391,188	518,679
Investment income	201,318	160,135
Program sponsorships	107,873	137,568
Special project funding (Note 6)	75,703	342,640
Honorariums	4,000	-
Other	2,744	-
Donated equipment	-	1,784
	5,689,826	5,660,806
PROGRAM EXPENDITURES		
Biomedical research grants	1,465,823	1,565,891
Policy, services and outcomes research grants	1,464,953	1,512,606
Capacity building program	402,456	390,539
Matching grants	387,476	758,556
Program salaries	261,581	126,105
Knowledge translation	130,026	19,376
Communications, public awareness and research findings	118,265	165,752
Special project expenditures (Note 6)	75,703	297,833
Merit review of grant applications	45,557	45,502
Provincial health research strategy	34,133	-
Other project expenditures	10,338	6,858
	4,396,311	4,889,018
EXCESS OF REVENUE OVER PROGRAM EXPENDITURES	1,293,515	771,788
ADMINISTRATIVE EXPENSES - Schedule 1	824,290	694,971
EXCESS OF REVENUE OVER EXPENDITURES	$ 469,225	$ 76,817

HUNTER BELGRAVE ADAMSON

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2007

			2007	2006
	Invested in Property, Plant and Equipment	**Unrestricted**	**Total**	**Total**
Balance, beginning of year	$ 126,266	$ 482,695	**$ 608,961**	$ 532,144
Excess of revenue over expenditures	-	469,225	**469,225**	76,817
Net change in investment in property, plant and equipment				
depreciation	(31,121)	31,121	-	-
acquisition of property, plant and equipment	26,048	(26,048)	-	-
Balance, end of year	$ 121,193	$ 956,993	**$1,078,186**	$ 608,961

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

ASSETS

	2007	2006
Current assets		
Cash	$ 150,379	$ 36,603
Accounts receivable	859,088	73,219
Prepaid expenses	1,104	2,125
Marketable securities (Note 4)	4,028,537	4,439,636
	5,039,108	4,551,583
PROPERTY, PLANT AND EQUIPMENT (Note 5)	121,193	126,266
	$ 5,160,301	$ 4,677,849

LIABILITIES

	2007	2006
Current liabilities		
Accounts payable and accrued liabilities	$ 165,143	$ 163,092
Deferred revenue (Notes 6 and 7)	760,000	102,860
Grants payable - current portion	2,449,857	2,951,513
	3,375,000	3,217,465
GRANTS PAYABLE	707,115	851,423
	4,082,115	4,068,888
COMMITMENTS (Notes 8 and 11)		

NET ASSETS

	2007	2006
Net assets invested in property, plant and equipment	121,193	126,266
Net assets - unrestricted	956,993	482,695
	1,078,186	608,961
	$ 5,160,301	$ 4,677,849

APPROVED ON BEHALF OF THE BOARD:

__________________________ Director

__________________________ Chief Executive Officer

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Working capital from operations		
Excess of revenue over expenditures	$ 469,225	$ 76,817
Items not requiring an outlay of cash		
Amortization of property, plant and equipment	31,121	20,590
	500,346	97,407
Net change in non-cash operating working capital balances		
Accounts receivable	(785,869)	(11,355)
Investments	411,099	(510,135)
Prepaid expenses	1,021	(2,125)
Accounts payable and accrued liabilities	2,051	48,974
Grants payable	(645,964)	(175,906)
Deferred revenue	657,140	102,860
	139,824	(450,280)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(26,048)	(104,754)
INCREASE (DECREASE) IN CASH	113,776	(555,034)
CASH, BEGINNING OF YEAR	36,603	591,637
CASH, END OF YEAR	$ 150,379	$ 36,603

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

1. DESCRIPTION OF ENTITY

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22), was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act, the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health outcome research, health public policy research and medical research.

These financial statements include only the assets, liabilities, revenues and expenditures of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as income is earned.

Financial Instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments, grants payable and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

Investments

Investments are valued at the lower of cost and quoted market value if there is a permanent decline in value.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from these estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, and are amortized using the declining balance method except for leasehold improvements, which are amortized by the straight-line method over the term of the lease with a full year of amortization recorded in the year of acquisition.

3. DISTRIBUTION OF FUNDING

The annual provincial grant made to the Foundation is provided from funds appropriated by the Nova Scotia legislature. The distribution of the funding is outlined in the Health Research Foundation Regulations, as amended by Cabinet on August 5, 2005. The Regulations specify that funding shall be distributed in accordance with the objects of the Foundation as follows:

a) 30% shall be spent on medical research;
b) 10% shall be spent on health-outcome research;
c) 10% shall be spent on health-services research;
d) 10% shall be spent on health public-policy research;
e) a minimum of 20% may be spent on any or all of the following:
    (i) innovative health research programming and capacity development,
    (ii) increasing the public knowledge and awareness of the Foundation,
    (iii) communicating research findings,
    (iv) targeting health research priorities; and
f) a maximum of 20% may be spent on administering the Foundation.

If in any of the categories a) through d), less than the total money allocated is spent, the remaining portion shall be reallocated to one of the remaining categories a) through d) in a manner determined by the Board.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

4. INVESTMENTS

The Foundation has an investment policy in place which restricts the types of investments it can hold. The Foundation is not permitted to invest in unsecured instruments or non-interest bearing accounts. The Foundation is not permitted to invest directly in mortgages, equities, real estate, foreign investments, and derivative securities. The Foundation is permitted to invest in mutual funds that hold these classes of investment investments.

At year end the Foundation's investments consisted of cash, fixed income investments, and equity mutual funds. At March 31, 2007 the total market value of the investments was $4,406,912 (2006- $4,682,821) and the book value of the investments was $4,028,537 (2006 - $4,439,636).

5. PROPERTY, PLANT AND EQUIPMENT

	2007			2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Computer	$ 85,267	$ 39,815	$ **45,452**	$ 46,363	30%
Equipment and furniture	65,810	31,676	**34,134**	40,108	20%
Leasehold improvements	58,839	17,232	**41,607**	39,795	10 yrs
	$ 209,916	$ 88,723	$ **121,193**	$ 126,266	

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

6. SPECIAL PROJECT FUNDING AND EXPENDITURES

In the prior year the Foundation received funding from the Nova Scotia Ministry of Health to create and implement the Atlantic National Collaborating Centre on Social Determinants of Health. Funding of $445,500 was received from the Government of Nova Scotia in the year ended March 31, 2006 to finance all costs associated with the project. The project was completed in July, 2006.

For the year ended March 31, 2006, the Foundation had incurred project expenses totaling $297,833, and capital expenditures of $44,807. The unspent balance of $102,860 was recorded as deferred revenue. For the year ended March 31, 2007, the Foundation incurred additional project expenses totaling $75,703. Upon the conclusion of the project the unspent balance of $27,157 was returned to the Nova Scotia Ministry of Health in accordance with the terms of the funding agreement.

7. DEFERRED REVENUE

The Foundation received funding from the Nova Scotia Department of Health Promotion and Protection to undertake the administration of the Comprehensive Gambling Treatment Demonstration Projects. Nova Scotia Health Promotion and Protection shall fund the Projects by paying to the Foundation the sum of $1,500,000 to be applied in accordance with the Project's budgets. Under the terms of the funding agreement, any amounts that remain unspent at the conclusion of the project must be returned to the Province.

The Agreement is in effect from September 1, 2007 until March 31, 2011, or such later date as the grants administered under the Projects are completed. For the year ended March 31, 2007, the Foundation was allocated $750,000 in funding and has incurred no project expenses. The additional funding is contingent upon submission and approval of the second project and shall be paid not later than April 30, 2009. The entire balance of $750,000 is considered current as it may be fully disbursed within the following fiscal year.

An additional $10,000 of unearned revenue was received from organizations for specific projects that have not yet been undertaken. These amounts will be recorded as revenue as the related project expenses are incurred.

8. REGIONAL PARTNERSHIP PROGRAM COMMITMENT

The Foundation partners with the Canadian Institutes of Health Research (CIHR) and a third party as part of the Regional Partnership Program to provide funding for approved grants. The funding formula for this partnership is: 50% CIHR, 25% NSHRF and 25% Other. Therefore, the Foundation's approval of RPP matching expense grants is subject to the approval of both the CIHR and the Other party.

For the year end March 31, 2007 there were four additional RPP grants that had met all the required criteria and the Foundation's internal approval processes; however the final joint authorization was not completed until after year end. CIHR was unable to provide final approval for the selected grants until the federal budget was announced to ensure the required funding would be provided by the Federal Government.

Since the March 31, 2007 year end CIHR has received its required funding and the four RPP grants have been approved by the three parties. The Foundation's total matching expense for the four grants is $261,518 and will be recorded as an expense in the 2008 fiscal year.

9. INCOME TAX STATUS

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

10. ECONOMIC DEPENDENCE

The Province of Nova Scotia provides the Foundation with funding necessary to provide grant support. The Foundation's ability to issue research grants is currently dependant on receiving adequate funding from the Province of Nova Scotia.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

11. LEASE COMMITMENTS

The company leases office space under an operating lease arrangement. Minimum lease payments are as follows:

2008	$ 126,025
2009	126,025
2010	126,025
2011	126,025
2012	126,025
	$ 630,125

12. PENSION OBLIGATIONS

The Foundation participates in a pension plan sponsored and administered by the Nova Scotia Association of Health Organizations, a multi-employer plan available to all its members. Contributions to the pension fund by the Foundation are matched by contributions by the employees, and are based on 5.95% or 7.95% of pensionable earnings, depending on income level. In the year, the Foundation contributed $35,206 (2006 - $14,666) to the pension.

An actuarial valuation for funding purposes was performed at December 31, 2003. At this time, the fund was fully funded.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED MARCH 31, 2007

	2007	2006
Salaries and benefits	**449,716**	362,580
Rent	**117,332**	89,348
Consulting fees	**121,002**	121,429
Amortization	**31,121**	20,590
Office supplies	**27,292**	24,322
Travel and meetings	**25,677**	25,467
Printing and promotional materials	**16,263**	22,452
Telephone, fax and website maintenance	**16,104**	10,929
Professional development	**10,057**	6,672
Networking and promotion	**9,238**	8,280
Meeting costs	**1,352**	1,799
Insurance	**144**	770
Miscellaneous expenses	**(1,008)**	333
	$ 824,290	$ 694,971

Consolidated Financial Statements of

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

March 31, 2007

Deloitte

Deloitte & Touche LLP
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Independent Auditors' Report

To the Members of the Legislative Assembly: and
To the Minister of Community Services

We have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2007 and the consolidated statement of revenues and expenses for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 27, 2007

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
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March 31, 2007

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NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Consolidated Balance Sheet

March 31, 2006

	2007	2006
ASSETS		
Current		
Cash, accounts receivable and accrued interest	$ **15,043,979**	$ 13,485,010
Current portion of mortgages receivable (Note 7)	**3,063,694**	3,152,295
	18,107,673	16,637,305
Mortgages receivable (Note 7)	**60,633,326**	54,556,630
Investment in land and social housing (Note 8)	**329,804,648**	341,345,829
Fund for future social housing expenditures (Note 4)	**43,647,186**	33,447,936
	$ **452,192,833**	$ 445,987,700
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **15,709,909**	$ 15,408,697
Current portion of long-term debt (Note 9)	**12,833,727**	12,058,257
Deferred federal contributions (Note 4)	**43,647,186**	33,447,936
	72,190,822	60,914,890
Long-term debt (Note 9)	**299,822,660**	306,938,089
Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10)	**18,128,981**	17,585,060
Partners' equity and minority interest (Note 12)	**2,345,754**	2,580,522
Housing Development Corporation Fund (Note 6)	**59,704,616**	57,969,139
	$ **452,192,833**	$ 445,987,700

Commitments and contingencies (Note 10)

....Deputy Minister of Community Services

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Consolidated Statement of Revenues and Expenses
Year ended March 31, 2007

	2007	2006
Revenue		
Rental revenue	$ **51,259,676**	$ 50,645,514
Interest revenue	**3,337,511**	2,898,055
Land sales	**638,616**	1,330,780
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4)	**55,148,346**	61,788,081
Recoveries from provincial government departments and municipalities (Note 5)	**45,503,381**	45,817,730
	155,887,530	162,480,160
Expenses		
Administration fee (Note 3)	**3,337,466**	2,221,527
Amortization of investment in social housing	**10,594,058**	13,086,899
Cost of land sales	**301,785**	424,676
Operating costs, Housing Authorities (Note 13)	**75,612,910**	70,783,928
Interest on long-term debt	**27,855,204**	27,440,241
Housing Renovation and Affordable Housing	**19,877,227**	15,088,957
Transfer to Housing Services	**17,749,438**	29,341,230
Increase in provision for doubtful accounts, recoveries and reserves	**559,442**	4,092,702
	155,887,530	162,480,160
Excess of revenues over expenses	$ **-**	$ -

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

1. STATUS OF THE CORPORATION

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement, the Housing Renovation Agreement and the Affordable Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The policies used in preparing the Corporation's consolidated financial statements are in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Statement of cash flows

Except for funds held by the Regional Housing Authorities, the Housing Development Corporation holds no cash. All disbursements are drawn from the Province and all receipts are deposited to accounts of the Province. A Statement of Cash Flows has not been provided as it would not provide meaningful additional information.

Mortgages receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

Investment in Land and Social Housing

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration and interest during construction less accumulated amortization.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with amendments to Section 1150 of the CICA Public Sector Accounting Handbook, effective April 1, 2005 the corporation changed the amortization method for buildings from the sinking fund method to straight-line over the collective estimated remaining useful life of the properties. The change in accounting policy was applied prospectively.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with the reduction in the value of land developments.

Recoveries from CMHC

	2007	2006
Social Housing	**$ 45,785,952**	$ 50,120,158
Housing Renovation and Affordable Housing	**9,362,394**	11,667,923
	$ 55,148,346	$ 61,788,081

Social Housing

Pursuant to the Social Housing Agreement executed by the Corporation and the Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

Housing Renovations and Affordable Housing

Pursuant to the Home Renovation and Affordable Housing Agreements executed by the Corporation and CMHC, contributions made by CMHC are used by the Corporation to meet expenses of these programs.

Forgivable Loans

The Corporation has chosen to account for all forgivable loans as mortgages receivable net of an equivalent amount of reserves.

Use of Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods significant estimates. Actual results could differ from those estimates.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

3. ADMINISTRATION FEE

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

4. FUND FOR FUTURE SOCIAL HOUSING EXPENDITURES

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures (FFSHE) and Deferred Federal Contributions (DFC).

	2007	2006
Opening balance, April 1st	**$ 33,447,936**	$ 27,256,473
Gross public housing and other eligible expenditures per Department of Community Services	**(80,535,677)**	(86,762,321)
Less: Provincial contribution	**27,536,685**	29,971,900
Less: Municipal contribution	**7,213,040**	6,670,263
Expenses withdrawn from FFSHE	**(45,785,952)**	(50,120,158)
CMHC social housing transfer per agreement	**54,896,993**	55,417,910
	9,111,041	5,297,752
Interest earned by the fund	**1,088,209**	893,711
Net increase in the fund	**10,199,250**	6,191,463
Closing Balance, March 31st	**$ 43,647,186**	$ 33,447,936

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

5. RECOVERIES FROM PROVINCIAL GOVERNMENT DEPARTMENTS AND MUNICIPALITIES

Costs incurred by the Corporation for Housing Renovation and Affordable Housing Agreements and the amortization of the provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

5. RECOVERIES FROM PROVINCIAL GOVERNMENT DEPARTMENTS AND MUNICIPALITIES (continued)

	2007	2006
Department of Community Services		
Social Housing	**$ 27,536,685**	$ 29,971,900
Home Renovation and Affordable Housing	**9,514,833**	4,921,072
Recoveries for land losses and bad debts	**238,823**	3,039,511
Department of Health	**1,000,000**	-
Department of Justice	-	214,984
Service Nova Scotia	-	1,000,000
Municipal share of public housing costs	**7,213,040**	6,670,263
	$ 45,503,381	$ 45,817,730

6. HOUSING DEVELOPMENT CORPORATION FUND

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to $175 million.

7. MORTGAGES RECEIVABLE

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately $275,826 including interest. Interest rates vary from 4.5% to 13.05%, with renewal dates ranging from April 1, 2007 to October 1, 2016. The mortgages are secured by registered first mortgages on the related properties.

	2007	2006
Mortgages receivable	**$ 65,230,103**	$ 59,227,816
Less: current portion due within one year	**3,063,694**	3,152,295
provision for concessionary assistance and doubtful recoveries	**1,533,083**	1,518,891
	4,596,777	4,671,186
	$ 60,633,326	$ 54,556,630

Estimated principal repayments for the next four years are as follows:

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

7. MORTGAGES RECEIVABLE (continued)

2009	$ 3,041,890
2010	3,105,670
2011	3,205,033
2012	3,332,284
	$ 12,684,877

8. INVESTMENT IN LAND AND SOCIAL HOUSING

	2007	2006
Investment in land	$ 2,113,824	$ 2,341,152
Investment in social housing	332,294,954	343,934,004
	334,408,778	346,275,156
Less: provision for doubtful land recoveries	105,371	381,875
provision for fire and liability losses	4,498,759	4,547,452
	4,604,130	4,929,327
	$ 329,804,648	$341,345,829

9. LONG-TERM DEBT

	2007	2006
Notes payable	$ 250,442,261	$254,732,106
Mortgages payable	62,214,126	64,264,240
	312,656,387	318,996,346
Less: current portion due within one year	12,833,727	12,058,257
	$ 299,822,660	$306,938,089

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal.

Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2007 to January 1, 2034.

Estimated principal repayments for the next four years are as follows:

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

9. LONG-TERM DEBT (continued)

2008	$ 13,440,609
2009	13,694,774
2010	14,400,381
2011	14,727,713
	$ 56,263,477

10. COMMITMENTS AND CONTINGENCIES

Pursuant to October 1, 1997 Social Housing Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2007 there were 486 loans with an approximate outstanding balance of $137,216,658 (2006 - $144,093,882). In the event of default the Corporation would gain title to the assets and act toward mitigation of any loss. The Corporation has reserved for any possible losses as noted.

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2007 a total of 16 (2006 – 19) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was $11,725,455 (2006 - $12,468,250).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of $18,128,981 (2006 - $17,585,060) which includes a reserve for risks associated with interest fluctuation of $3,200,000 (2006 - $3,200,000). In addition, the Corporation has a provision of $4,000,000 (2006 - $4,000,000) for self insurance which is included in the provision for fire and other social housing losses as disclosed in Note 8.

There are various claims, which certain Housing Authorities are involved with arising out of the ordinary course of operations. Management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty. The Corporation has established a provision for fire and liability losses as disclosed in Note 8 of these consolidated financial statements.

11. RELATED PARTY TRANSACTIONS

Included in Note 5 of these consolidated financial statements are recoveries from various Nova Scotia government departments and municipalities related to the Corporation by virtue of common control. Included in the long-term debt of the Corporation are notes payable owing to the Department of Finance totalling $38,413,137.

12. PARTNERS' EQUITY AND MINORITY INTEREST

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services – Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustees, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

13. OPERATING COSTS (HOUSING AUTHORITIES AND RURAL AND NATIVE)

	2007	2006
Administration	**$ 11,246,190**	$ 10,727,703
Maintenance	**20,794,358**	18,799,761
Modernization and improvements	**9,781,118**	9,349,473
Municipal taxes	**8,044,893**	7,834,591
Other operating	**8,718,929**	7,708,442
Utilities	**17,027,422**	16,363,958
	$ 75,612,910	$ 70,783,928

14. EMPLOYEE FUTURE BENEFITS

The Housing Authorities each have defined contribution pension plans available to eligible employees.

In 2007, an actuarial valuation of the Public Service award liability was performed. As at March 31, 2007 the Corporation has recorded the actuarial liability for Public Service awards of $1,959,115 (2006 - $1,839,967) accruing to employees in the Regional Housing Authorities at retirement.

15. TANGIBLE CAPITAL ASSETS

The investment in social housing disclosed in Note 8 of $332,294,954 (2006 - $343,934,004) includes social housing properties acquired through the Social Housing Agreement from the Housing Development Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included the cost of land and buildings. Net book value was previously amortized over the years. Management has estimated the portion assigned to land and buildings because historical information related to the original cost of land versus buildings is not available.

New construction and or acquisitions are separated as to land and building at the time of construction or acquisition.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and methods of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buildings	5%	Declining balance
Equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Vehicles	30%	Declining balance
Computer software	25%	Declining balance

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2007

15. TANGIBLE CAPITAL ASSETS (continued)

The following information on cost, accumulated amortization and net book value is available for those assets:

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Buildings	**$ 7,603,858**	**$ 2,712,384**	**$ 4,891,474**	$ 4,946,805
Equipment	**93,680**	**82,200**	**11,480**	14,500
Vehicles	**1,993,081**	**1,510,080**	**483,001**	411,558
Computer software	**6,151,512**	**4,272,094**	**1,879,418**	2,595,169
	$ 15,842,131	**$ 8,576,758**	**$ 7,265,373**	$ 7,968,032

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

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Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To: Mr. Jacques R. Lapointe, CA, CIA
Auditor General

We have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2007 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 1, 2007

Grant Thornton LLP
Chartered Accountants

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Balance Sheet

March 31	2007	2006
Assets		
Current		
Cash and cash equivalents	$ 1,331,957	$ 1,511,935
Receivables and prepaids	850,069	1,302,500
Inventories	84,578	70,825
Current portion of leasehold improvements and inducements (Note 5)	111,173	111,173
	2,377,777	2,996,433
Assets held for resale	-	186,591
Receivables (Note 3)	224,416	21,985
Property and equipment (Note 4)	7,089,034	7,256,305
Leasehold improvements and inducements (Note 5)	954,261	1,046,836
Investments and funds		
Nova Scotia First Fund (Note 6)	16,004,008	16,249,625
Research Endowment Fund (Note 7)	661,182	661,182
Other investments (Note 8)	500,869	633,931
Land held for future development (Note 9)	100,400	201,745
Goodwill (Note 2)	250,864	385,862
	25,785,034	26,457,471
	$ 28,162,811	$ 29,640,495
Liabilities		
Current		
Payables and accruals	$ 673,904	$ 696,055
Payable to Province of Nova Scotia	2,458,180	3,634,973
Deferred revenue and leasehold inducements	139,229	222,848
Current portion of long term debt (Note 11)	90,790	86,883
	3,362,103	4,640,759
Employee future benefits (Note 10)	934,486	781,684
Long term debt (Note 11)	10,901,331	10,647,975
Deferred revenue and leasehold inducements	343,749	489,822
Deferred capital contributions	1,427,566	1,466,459
	16,969,235	18,026,699
Non-controlling interest	-	7,972
Equity		
Capital stock and contributed surplus (Note 13)	19,110,755	19,110,755
Deficit	(7,917,179)	(7,504,931)
	11,193,576	11,605,824
	$ 28,162,811	$ 29,640,495

Commitments and contingency (Notes 6 and 17)

ON BEHALF OF THE BOARD

Chair

Chief Executive Officer

See accompanying notes to the consolidated financial statements.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statements Of Loss And Deficit

Year Ended March 31	2007	2006
Revenues and contributions		
Government contributions (Note 12)	$ 3,415,078	$ 2,935,250
Mentoring	355,466	208,588
Incubation	1,034,355	1,119,234
Investment	14	8,466
Product engineering	259,088	278,479
Software sales and services	316,807	423,122
	5,380,808	4,973,139
Expenses		
Mentoring	681,073	589,181
Incubation	1,202,083	1,174,749
Investment	435,035	404,221
Product engineering	209,382	222,380
Software sales and services	330,428	376,655
Corporate services	1,773,294	1,262,549
	4,631,295	4,029,735
Operating income	749,513	943,404
Depreciation and amortization	(498,224)	(478,329)
Interest expense	(436,281)	(431,488)
Employee future benefit expense	(200,464)	(205,421)
Investment income (loss)		
Nova Scotia First Fund	(296,023)	(90,474)
Other	9,275	(42,692)
	(1,421,717)	(1,248,404)
Loss before other items	(672,204)	(305,000)
Other items (Note 14)	259,956	100,000
Net loss	$ (412,248)	$ (205,000)
Deficit, beginning of year	$ (7,504,931)	$ (7,299,931)
Net loss	(412,248)	(205,000)
Deficit, end of year	$ (7,917,179)	$ (7,504,931)

See accompanying notes to the consolidated financial statements.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Consolidated Statement Of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	$ (412,248)	$ (205,000)
Depreciation and amortization	528,064	478,329
Deferred capital assistance recognized	(481,542)	(147,046)
Gain on debt retirement	-	(100,000)
Employee future benefits expense	205,018	207,629
Nova Scotia First Fund loss	240,760	90,474
Lease inducements (amortized) recognized	(21,744)	77,111
Landlord lease inducements recognized	(18,598)	(70,598)
Accrued interest on Province of Nova Scotia - NSFF loan	344,146	333,977
Gain on disposal of assets	(394,956)	(5,538)
Minority interest	(7,972)	7,972
Bad debts and investment write-downs	133,005	88,764
Goodwill impairment (Note 14)	135,000	-
	248,933	756,074
Change in non-cash operating working capital (Note 15)	(867,732)	(178,155)
	(618,799)	577,919
Investing		
Proceeds from NSFF portfolio investments	883,789	1,146,671
Acquisitions of NSFF investments	(878,932)	(1,159,997)
Cash acquired on acquisition	-	267,543
Proceeds from disposal of assets held for re-sale	305,808	-
Long term receivables	(178,588)	63,818
Property and equipment purchases	(463,658)	(1,039,506)
Proceeds from sale of land held for future development	591,181	-
	259,600	(721,471)
Financing		
Long term debt repayments	(86,884)	(100,535)
Deferred revenue and capital contributions	318,321	469,775
Leasehold inducements	-	161,250
Employee future benefits payments	(52,216)	(132,628)
Loan from Province of Nova Scotia	-	401,560
	179,221	799,422
(Decrease) increase in cash and cash equivalents	(179,978)	655,870
Cash and cash equivalents, Beginning of year	1,511,935	856,065
End of year	$ 1,331,957	$ 1,511,935

See accompanying notes to the consolidated financial statements.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

1. Authority

The Nova Scotia Innovation Corporation (In*NOVA*corp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. In*NOVA*corp is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

In*NOVA*corp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of In*NOVA*corp and its wholly owned subsidiaries, 1402998 Nova Scotia Limited and 3087532 Nova Scotia Limited, and its 83% owned subsidiary, 3039255 Nova Scotia Limited.

b. Use of estimates

In preparing In*NOVA*corp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

c. Revenue recognition

Mentoring revenue includes consulting services provided and is recorded as the services are provided.

Incubation revenue is recorded as earned and includes monthly rent and recoveries from tenants for utilities, photocopies, and other administrative services.

Investment revenue includes interest on cash balances, short term investments and bonds receivable, including imputed interest on zero coupon bonds and residuals, dividends and capital gains and losses. Interest income is accrued daily, dividend income is recorded on the ex-dividend date, and capital gains and losses are recognized on the date of sale.

Product engineering includes engineering services and products provided to third parties. Engineering services revenue is recorded as the related services are performed. Work in process is recorded monthly based on the percentage complete. Product sales are recorded on the earlier of the date of shipment or the transfer of title to the customer.

Software sales and services revenue includes communication marketing software, multi-channel communications capabilities and web hosted services. Software sales and services revenue is recognized when payment is received which is coincident with the delivery of products and services.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

e. Inventory

Inventory is valued at the lower of cost as determined by the first-in first-out method and net realizable value.

f. Long term investments

Venture capital investments made through the Nova Scotia First Fund are carried at lower of cost and net realizable value, except for those in which a controlling interest is held which are consolidated effective April 1, 2005.

Investments are written down to recognize the loss where management has determined a decline in value that is considered to be other than temporary. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

g. Property and equipment

The cost of property and equipment are depreciated over their estimated lives at the following rates:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
Furniture and fixtures	20%	declining balance
Site improvements	8%	declining balance
Management information system	5 - 20%	straight line
Leasehold improvements	term of lease	straight line

h. Donated assets

The donation of assets to In*NOVA*corp is recorded as a capital contribution. These assets are recorded at their fair value with an increase to contributed surplus. These assets are depreciated over their estimated economic life as described above. There were no assets donated in 2006 or 2007.

i. Deferred capital contributions

Contributions used for the acquisition of property and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

j. Landlord leasehold improvements and inducements

Costs incurred or paid to tenants to renovate premises are recorded as deferred leasehold improvements and amortized over the life of the lease. Free or reduced rents provided to tenants during the period are recorded as deferred lease inducements and amortized over the life of the lease.

k. Tenant leasehold improvements and inducements

Costs incurred or paid by landlords to renovate premises occupied by In*NOVA*corp are recorded as deferred leasehold improvements and amortized over the life of the lease. Free or reduced rents provided by landlords during the period are recorded as deferred leasehold inducements and amortized over the life of the lease.

l. Employee future benefits

InNOVAcorp has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

In*NOVA*corp pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The program is funded each year by the payment of the required premiums.

In*NOVA*corp accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the future benefits and has adopted the following policies:

- The cost of the benefits earned by employees is determined annually using the projected benefit method pro rated on service and actuarial assessment and best estimate of probability of retirement, retirement ages and expected health care costs.
- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years (2006 – 10 years).
- The transitional obligation resulting from the implementation of the policy is amortized over the average remaining service period of active employees at inception, which is 9 years (2006 – 10 years).

Employees of In*NOVA*corp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions and the employer's contributions are included in the expenses of In*NOVA*corp. The Province of Nova Scotia administers the Public Service Superannuation Fund and is responsible for any unfunded liability.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

l. Employee future benefits (continued)

In*NOVA*corp has an unfunded Supplementary Employee Retirement Plan covering its permanent employees whose salaries exceed the maximum on which contributions to a registered pension plan may be deducted. Eligible employees receive an amount equivalent to the registered pension they would have earned on any excess earnings upon retirement on the same terms as are contained in the Province's registered pension plan.

m. Financial instruments

In*NOVA*corp's financial instruments consist of cash and cash equivalents, receivables, investments and funds, payables and accruals, and long term debt. It is management's opinion that In*NOVA*corp is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, or is disclosed separately, except for the venture capital investments, and the Province of Nova Scotia loans (Note 11) for which it is not practical to determine market value.

n. Non-monetary transactions

Certain companies in which In*NOVA*corp holds investments through the NSFF provide shares in exchange for consulting and mentoring services. The value of the transaction is established by the fair value of fees charged for such services and is agreed by both parties. The number of shares is determined by share prices confirmed through third party transactions.

o. Goodwill

Goodwill is tested for impairment annually using the revenue multiple method. During the year it was determined that goodwill was impaired in the amount of $135,000 as described in Note 14.

3. Receivables

	2007	2006
Leases receivable	$ 264,390	$ 85,803
Less: current portion	39,974	63,818
	$ 224,416	$ 21,985

In*NOVA*corp leases equipment under agreements with terms of three to ten years. The leases, which transfer substantially the entire risks and benefits incidental to ownership, have been accounted for as sales.

The leases bear interest at rates between zero and prime plus fifty basis points. The leases are scheduled to be repaid by February 1, 2014.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements

March 31, 2007

4. Property and equipment

			2007	2006
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 373,056	$ -	**$ 373,056**	$ 356,507
Buildings and site improvements	8,521,366	2,382,985	**6,138,381**	6,312,821
Machinery and equipment	1,028,520	876,829	**151,691**	159,771
Computer equipment	654,792	607,849	**46,943**	67,972
Furniture and fixtures	295,724	207,902	**87,822**	100,078
Leasehold improvements	201,914	52,277	**149,637**	183,122
Management information system	1,351,497	1,209,993	**141,504**	76,034
	$ 12,426,869	$ 5,337,835	**$ 7,089,034**	$ 7,256,305

5. Leasehold improvements and inducements

	2007	2006
Leasehold improvements and inducements	**$ 1,347,128**	$ 1,347,128
Accumulated amortization	**(281,694)**	(189,119)
	1,065,434	1,158,009
Less: current portion	**111,173**	111,173
	$ 954,261	$ 1,046,836

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

6. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, In*NOVA*corp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to In*NOVA*corp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Valuation Adjustment	**2007 Fund Balance**	2006 Fund Balance
Beginning, balance	$ 11,034,553	$11,945,195	$(6,730,123)	**$16,249,625**	$ 16,876,385
Add (deduct):					
Consolidation adjustment		65,668	-	**65,668**	(548,174)
Equity investments	(940,000)	995,263	-	**55,263**	-
Income	588,267	(12,194)	-	**576,073**	622,700
Additions and transfers	114,542	(114,542)	-	**-**	-
Write-offs	-	(5,448,052)	5,448,052	**-**	-
Write-down	(4,858)	-	(937,763)	**(942,621)**	(701,286)
Ending balance	$ 10,792,504	$ 7,431,338	$(2,219,834)	**$16,004,008**	$ 16,249,625

In*NOVA*corp is entitled to recover direct expenses associated with its administration of the NSFF. To date, it has elected not to charge the Fund for any of the costs incurred.

As at March 31, 2007 there were $875,000 (2006 - $815,000) approved commitments for the NSFF.

Included in the fund balance is the High Performance Incubation fund with an authorized limit of $1,000,000. Investments made through this fund range from $50,000 to $150,000 and are targeted at earlier stage opportunities rather than the NSFF. As at March 31, 2007, $391,071 (2006 - $411,671) was invested in such companies.

The fund includes $8,000,000 advanced to In*NOVA*corp by the Province of Nova Scotia with terms as described in Note 11. Income earned on these funds is included as income of the NSFF. Interest of $344,146 (2006 - $333,977) accrued for the year on this advance has been recorded as interest expense and charged to InNOVAcorp's general operations.

As at March 31, 2007, the market value of the portfolio investments was $11,198,195 (2006 - $11,390,794).

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

7. Research Endowment Fund

The Research Endowment Fund was transferred to In*NOVA*corp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by In*NOVA*corp. The Fund can be used for purposes consistent with the objectives of In*NOVA*corp.

The funds have been invested in bonds and debentures and their fair value approximates cost.

8. Other investments	2007	2006
Amirix Systems Inc.		
490,000 3%, non-cumulative preferred shares	$ **490,000**	$ 490,000
PlantSelect Biotechnology Systems Limited	**-**	99,615
Other investments, at cost	**10,000**	10,000
Other investments, at net realizable value	**869**	34,316
	$ **500,869**	$ 633,931

9. Land held for future development

The Province of Nova Scotia approved by order in council 2005-43 dated January 27, 2005 amendment of order in council 2001-523 transferring approximately 132 acres of real property located in the Woodside Industrial Park in Dartmouth, Nova Scotia to In*NOVA*corp, at $115. Approximately 125 acres of this land was undeveloped. In*NOVA*corp's intention for this undeveloped land is to develop it as a Knowledge Park creating a technology cluster. In*NOVA*corp has completed a conceptual design for the planned development. Costs incurred to date include engineering, construction and legal fees.

On May 18, 2006 In*NOVA*corp transferred 12 acres of its land held for future development to Ocean Nutrition Canada to construct production facilities for $12. The land transferred had a cost base of $309,567. A $309,567 loss has been recognized per Note 14. However, as improvements to the property had been funded by deferred government contributions, this loss is offset by an equal amount of government contributions recognized in Note 12.

On June 29, 2006 In*NOVA*corp sold approximately 10.4 acres of its land held for future development to the Halifax Regional Municipality for $591,181. The land transferred had a cost base of $4,840. A $586,330 gain has been recognized per Note 14.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

10. Employee future benefits	**2007**	2006
Long term service award	**$ 309,543**	$ 246,245
Post retirement benefits	**530,405**	441,632
Supplementary employee retirement plan	**94,538**	93,807
	$ 934,486	$ 781,684

Employees of In*NOVA*corp are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the awards earned by employees during the period. During the year, the services of an actuary were obtained to develop the balances.

The post retirement benefits obligation, based on actuarial assumptions and calculation, is as follows:

	2007	2006
Balance, beginning of year	**$ 441,632**	$ 350,367
Current service cost	**14,255**	14,836
Interest cost	**65,791**	63,884
Amortization of actuarial loss	**25,954**	29,192
Amortization of transitional obligation	**29,723**	29,723
Less: payments made during the year	**(46,950)**	(46,370)
Balance, end of year	**$ 530,405**	$ 441,632

The significant assumptions adopted by management in measuring the post retirement benefits obligation are as follows:

	2007	2006
Discount rate	**5.95**	6.05
Assumed health care cost trend increase	**8.00 – 5.00**[1]	9.00 – 5.00[1]

[1] Health costs are assumed to increase at a decreasing rate, with 8.00% being assumed for 2007, with increases reducing by 1.00% each subsequent year until they stabilize at 5.00%.

In*NOVA*corp's net post retirement benefit expense for the year was $135,723 (2006 - $137,135).

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements

March 31, 2007

11. Long term debt

	2007	2006
Equipment lease obligations	$ -	$ 1,005
Province of Nova Scotia - NSFF	**8,996,624**	8,652,478
Province of Nova Scotia – capital project	**1,593,936**	1,679,814
Province of Nova Scotia – land transfer	**401,561**	401,561
	10,992,121	10,734,858
Less: current portion	**90,790**	86,883
	$ 10,901,331	$ 10,647,975

The Province of Nova Scotia advanced $8,000,000 in 2004 to the Nova Scotia First Fund, bearing interest at 3.94%. The loan plus accrued interest is repayable on March 19, 2009 unless In*NOVA*corp elects to extend the term for another five years. In the event of a term extension, interest for the next five years will be based on the prevailing market rates and the loan will mature on March 19, 2014.

In 2005, the Province of Nova Scotia advanced $1,800,000 to In*NOVA*corp to fund building improvements. The loan bears interest at 5.6% and is repayable in blended quarterly payments of $44,541 to 2019.

In 2006, Nova Scotia Business Inc., a party related by virtue of common ownership, transferred land and buildings in exchange for assumption of $401,561 of debt owed to the Province of Nova Scotia, an amount equal to the net book value of the assets transferred at the time of the transfer. At present, the loan bears no interest and has no fixed repayment schedule.

Principal repayments on long term debt for the next five years are as follows:

2008	$ 90,789
2009	$ 9,092,605
2010	$ 101,476
2011	$ 107,273
2012	$ 113,407

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

12. Government contributions

In*NOVA*corp receives an annual contribution from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations, acquisition of property and equipment, and special projects funding. Funding related to the acquisition of capital assets is deferred as disclosed in Note 2(i).

Details of funding for the year are as follows:

	2007	2006
Contributions received - Province of Nova Scotia	$ 3,307,137	$ 3,096,389
Contributions used to finance property and equipment	(371,370)	(307,048)
Amortization of capital contributions	420,506	86,073
	49,136	(220,975)
Net contributions – Province of Nova Scotia	$ 3,356,273	$ 2,875,414
Amortization of contributions – Atlantic Canada Opportunities Agency	$ 58,805	$ 59,836
Net government contributions	$ 3,415,078	$ 2,935,250

13. Capital stock and contributed surplus

	2007	2006
Capital stock – authorized, issued and outstanding		
75 Class A common shares, par value $1	$ 75	$ 75
Principal share, par value $1	1	1
	76	76
Contributed surplus		
Nova Scotia First Fund	11,110,791	11,110,791
Nova Scotia Research Foundation Corporation	7,509,888	7,509,888
Amirix Systems Inc.	490,000	490,000
	19,110,679	19,110,679
	$ 19,110,755	$ 19,110,755

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

14. Other items

	2007	2006
Gain on sale of land held for development (Note 9)	$ **586,330**	$ -
Gain on sale of assets held for resale	**118,193**	-
Loss on transfer of land held for development (Note 9)	**(309,567)**	-
Goodwill impairment	**(135,000)**	-
Gain on debt retirement – consolidation of investee	**-**	100,000
	$ **259,956**	$ 100,000

The goodwill recorded on the investment in the 83% subsidiary, 3039255 Nova Scotia Limited, is tested for impairment annually. Due to delays in the implementation of a new product, operating profits and cash flows were lower than expected in 2007. Based on that, the future revenue forecast was revised and a goodwill impairment loss of $135,000 was recognized.

15. Supplemental cash flow information

	2007	2006
Change in non-cash operating working capital:		
Receivables and prepaids	$ **431,476**	$ 24,029
Inventories	**(13,754)**	6,663
Payables and accruals	**(24,656)**	(829,250)
Payable to Province of Nova Scotia	**(1,177,179)**	525,149
Deferred revenue, current	**(83,619)**	94,254
	$ **(867,732)**	$ (178,155)

Non-monetary transactions:

During 2006, In*NOVA*corp received 150,000 shares from one of its investees as payment in-kind for mentoring and consulting services rendered. The value of these shares, as determined by an investment in the company that included an independent third party, has been recognized in the amount of $55,263 as mentoring revenue.

Province Of Nova Scotia
Nova Scotia Innovation Corporation
Notes To The Consolidated Financial Statements
March 31, 2007

16. Related party transactions

Entity	Relationship	Purchases From	Revenues Generated	Year End Receivable
PlantSelect Biotechnology Systems Limited	50% investee	$ -	$ 69	$ 398,528
BioScience Enterprise Centre	Managed incubator	4,504	1,440	106,578
NSFF Investments	Investees	-	99,028	184,197

The receivable from PlantSelect Biotechnology Systems Limited is offset by an allowance for doubtful accounts of $398,546.

Sales to NSFF investees are at the same prices and terms as with unrelated parties.

Contributions were received from the Province of Nova Scotia as described in Note 12.

17. Commitments

In*NOVA*corp has entered into operating lease arrangements for facilities and equipment. Future minimum annual lease payments under these leases are as follows:

2007	$ 246,731
2008	$ 238,310
2009	$ 215,267
2010	$ 124,145
2011	$ 2,189

18. Comparative figures

Certain of the comparative figures for 2006 have been reclassified to conform to the financial statement presentation adopted for the current year.

Nova Scotia Legal Aid Commission
Financial Statements
March 31, 2007

NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Justice

I have audited the statement of financial position of Nova Scotia Legal Aid Commission as at March 31, 2007, and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA·CIA
Auditor General

Halifax, Nova Scotia
May 11, 2007

NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

ASSETS	2007	2006
Current		
Cash	$ 864,260	$ 4,979,368
Marketable securities (note 2(f))	7,610,000	2,900,000
Receivables	564,466	314,114
Prepaid expenses	63,284	83,164
	9,102,010	8,276,646
Due from Department of Finance (note 2(g))	2,416,940	2,172,848
Property and equipment (note 3)	277,524	426,327
Trust Fund - long service awards (note 4)	2,050,362	1,946,723
	$ 13,846,836	$ 12,822,544

LIABILITIES	2007	2006
Current		
Payables and accruals (notes 5 and 6)	$ 3,431,145	$ 3,318,798
Deferred contribution - special cases (note 7)	595,355	595,395
	4,026,500	3,914,193
Long term		
Long service awards (note 8)	2,050,362	1,946,723
Employee future benefits (notes 2(g) and 9)	2,416,940	2,172,848
Deferred contributions - property and equipment (note 10)	459,372	738,747
	8,953,174	8,772,511
NET ASSETS		
Unrestricted net assets (page 4)	3,967,115	1,954,931
Net assets invested in capital assets (page 4)	134,438	271,237
Reserve for future case completion (page 4 and note 11)	733,033	1,611,231
Reserve for family law project (page 4 and note 11)	59,076	212,634
	4,893,662	4,050,033
	$ 13,846,836	$ 12,822,544

Commitment and contingencies (note 13)
See accompanying notes

On Behalf of the Board

Director

Director

NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Operating grants - Province of Nova Scotia	$ 18,506,375	$ 16,996,679
Investment fund grant	722,672	772,672
Summary Advice Counsel project income	120,000	120,000
Employee future benefits grant - Province of Nova Scotia	244,092	255,573
Interest	355,469	231,404
Other income	22,772	47,391
	19,971,380	18,423,719
Expenses (page 12)		
Amortization	210,957	139,646
Directors' fees	18,888	15,411
Duty Counsel fees	429,980	366,955
Equipment and maintenance	456,839	309,810
Library	151,955	158,321
Memberships, meetings and conferences	374,012	364,998
Miscellaneous	74,000	69,000
Office disbursements	268,458	241,168
Private solicitors' fees (note 6)	3,379,457	3,677,234
Professional and other fees	37,253	30,560
Salaries and benefits	12,258,736	11,786,777
Supplies and services	1,273,261	1,256,412
Travel	193,955	169,441
	19,127,751	18,585,733
Excess (deficiency) of revenue over expenses before special cases	843,629	(162,014)
Special cases (note 7)		
Contribution from the Province of Nova Scotia	-	85,283
Contributions from clients	-	13,190
	-	98,473
Expenses, special cases	-	98,473
	-	-
Excess (deficiency) of revenue over expenses	$ 843,629	$ (162,014)

See accompanying notes

NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF CHANGES IN NET ASSETS
MARCH 31, 2007

	Unrestricted Net Assets	Net Assets Invested in Equipment	Reserve for Future Case Completion	Reserve for Family Law Project	2007 Total	2006 Total
Balance, beginning of year	$ 1,954,931	$ 271,237	$ 1,611,231	$ 212,634	**$ 4,050,033**	$ 4,212,047
Excess (deficiency) of revenue over expenses	843,629	-	-	-	**843,629**	(162,014)
Purchase of property and equipment	(3,668)	3,668	-	-	-	-
Amortization, net	140,467	(140,467)	-	-	-	-
Transfer from reserve	1,031,756	-	(878,198)	(153,558)	-	-
Balance, end of year	$ 3,967,115	$ 134,438	$ 733,033	$ 59,076	**$ 4,893,662**	$ 4,050,033

See accompanying notes

NOVA SCOTIA LEGAL AID COMMISSION

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2007

	2007	2006
Operating Activities		
Excess (deficiency) of revenue over expenses	$ 843,629	$ (162,014)
Amortization	210,957	139,646
Amortization of deferred contributions - capital	(279,375)	(66,679)
	775,211	(89,047)
Net change in non-cash working capital balances related to operations (note 12)	(4,828,164)	3,616,998
	(4,052,953)	3,527,951
Investing Activities		
Purchase of		
Furniture and equipment	(3,668)	(13,465)
Computer equipment	(58,487)	(262,080)
Deferred capital grant	-	350,000
	(62,155)	74,455
Increase (decrease) in cash during year	(4,115,108)	3,602,406
Cash, beginning of year	4,979,368	1,376,962
Cash, end of year	$ 864,260	$ 4,979,368

See accompanying notes

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Accounting Policies

(a) Cash

Cash consist of cash on hand and balances with banks.

(b) Amortization

Property and equipment are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

(c) Financial Instruments

The Commission's financial instruments consist of cash, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

The Commission has an authorized, unsecured, line of credit of $400,000, bearing interest at RBC prime lending rate, payable monthly.

(d) Use of Estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

(e) Special Cases

Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of operations.

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

2. Accounting Policies (cont'd)

(f) Marketable Securities

Investments consist of guaranteed investment certificates and are valued at cost, which approximates market value. These guaranteed investment certificates bear interest in a range of 3.5% to 4.0% (2006 - 2.6% to 2.85%) and mature between 4 and 164 days (2006 - 3 and 38 days) after year-end.

(g) Employee Future Benefits

The Commission adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits other than pensions which are accrued over the periods in which the employees render services in return for these benefits. These benefits are for health insurance programs. A liability for employee future benefits of $2,416,940 (2006 - $2,172,848) has been included in the financial statements. The liability as at March 31, 2007 and 2006 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's expense incurred for these future employee benefits is $270,805 (2006 - $274,430).

(h) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

(i) Revenue Recognition

1) Operating grants and other revenue are recorded on the accrual basis.

2) Contributions from the Province of Nova Scotia for the acquisition of property, plant and equipment and computer upgrades are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each equipment acquired.

3. Property and equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 106,769	$ 96,985	$ 9,784	$ 17,800
Furniture and fixtures	168,653	143,707	24,946	54,606
Computer equipment	987,285	744,491	242,794	353,921
	$ 1,262,707	$ 985,183	$ 277,524	$ 426,327

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

4. Trust Fund - Long Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with fifteen years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. To date, six employees have received advances with one advance outstanding at year end. Advances plus accrued interest at March 31, 2007 totaled $22,948 (2006 - $37,606).

	2007	2006
Balance, beginning of year	$ 1,946,723	$ 1,846,178
Add: Contribution from operating funds	221,806	86,844
Outstanding year end contribution (payable)	(1,917)	52,665
Interest on long service award advances	324	1,235
Interest on investments	67,954	41,839
	288,167	182,583
Less: Long service awards paid to retiring employees	184,503	81,978
Operating charge	25	60
	184,528	82,038
Balance, end of year	$ 2,050,362	$ 1,946,723
Consisting of:		
Cash	$ 202,199	$ 1,856,452
Investments and accrued interest on investments	1,827,131	-
Receivable - long service award advances and accrued interest on advances	22,949	37,606
Contribution due from (to) operating funds	(1,917)	52,665
	$ 2,050,362	$ 1,946,723

5. Payables and Accruals

	2007	2006
Supplies and services	$ 412,583	$ 240,312
Accrued private solicitors' fees (note 6)	2,874,218	2,694,209
Employee salaries and benefits	144,344	384,277
	$ 3,431,145	$ 3,318,798

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

6. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2007, a liability of $2,874,218 (2006 - $2,694,209) was recorded, of which $2,489,943 (2006 - $2,197,594) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

7. Deferred Contribution - Special Cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia, or added to the liability for other future special cases.

8. Long Service Awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2007, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2007, the long service award trust funds of $2,050,362 (2006 - $1,946,723) are sufficient to fund the liability.

9. Employee future benefits

The Commission has provided for employee future benefits other than pensions for life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations are as follows:

Discount rate	5.25%
Expected health care costs trend rate	8% in 2007 decreasing down to 4% per annum in and after 2011
Retirement age assumption	59 years
Participation	90% of members are assumed to participate in the retiree health and dental programs

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

10. Deferred Contributions - Property and Equipment

Deferred contributions relates to funding received from the Province of Nova Scotia to offset costs of upgrading the Commission's computer systems. The changes in the deferred contributions balance for the period are as follows:

	2007	2006
Balance, beginning of year	$ 738,747	$ 455,426
Less: amounts amortized to revenue	(279,374)	(66,679)
Plus: contributions received	-	350,000
Balance, end of year	$ 459,373	$ 738,747

11. Reserves

Reserve for Future Case Completion

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2007.

Reserve for Family Law Project

In October 2004, the Commission appropriated the total of $1,000,000 for family law Legal Aid Services to provide additional family law services.

12. Net change in non-cash working capital balances related to operations

	2007	2006
Increase (decrease) in cash from changes in:		
Receivables	$ (250,352)	$ 293,219
Prepaid expenses	19,880	(25,909)
Payables and accruals	112,348	798,071
Deferred contributions - special cases	(40)	(48,383)
Marketable securities	(4,710,000)	2,600,000
	$ (4,828,164)	$ 3,616,998

NOVA SCOTIA LEGAL AID COMMISSION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

13. Commitments and Contingencies

(a) The Commission has entered into lease agreements for eleven of its offices. The remaining three offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five fiscal years, not including operating costs and taxes, are as follows:

2008	$	760,419
2009	$	633,764
2010	$	633,764
2011	$	488,892
2012	$	425,183

(b) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of $69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2008.

(c) The Commission has been named as a defendant in a legal action. As of the audit report date, the outcome of this claim is not determinable, and accordingly, no provision has been made in the financial statements.

14. Client Trust Funds

On March 31, 2007, $3,378 (2006 - $16,148) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

15. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses in the amount of $680,686 (2006 - $624,179). The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

NOVA SCOTIA LEGAL AID COMMISSION

EXPENSES
YEAR ENDED MARCH 31, 2007

	Budget 2007	Actual 2007	Actual 2006
Amortization	$ 83,500	$ 210,957	$ 139,646
Directors' fees	30,000	18,888	15,411
Duty Counsel fees	462,400	429,980	366,955
Equipment and maintenance			
Leasehold improvements	50,000	51,702	37,602
Office furniture and equipment	94,900	246,990	133,586
Office machine leasing	91,400	82,475	83,461
Office machine maintenance	76,700	75,672	55,161
	313,000	456,839	309,810
Library	190,000	151,955	158,321
Memberships, meetings and conferences			
Memberships and dues	230,000	215,975	218,587
Meetings and conferences	186,500	158,037	146,411
	416,500	374,012	364,998
Miscellaneous			
Grant - Dalhousie Legal Aid	69,000	69,000	69,000
Public information /legal education	-	5,000	-
	69,000	74,000	69,000
Office disbursements			
Civil and family	120,000	101,663	105,926
Adult criminal	150,000	144,033	123,177
Youth criminal	22,000	22,762	12,065
	292,000	268,458	241,168
Private solicitors' fees			
Civil and family - conflicts	1,813,030	1,684,155	1,823,789
Adult criminal - choice of counsel	255,200	159,772	244,769
Adult criminal - conflicts	1,557,240	1,304,754	1,379,479
Youth criminal - choice of counsel	104,200	-	-
Youth criminal - conflicts	396,930	230,776	229,197
	4,126,600	3,379,457	3,677,234
Professional and other fees			
Professional fees	40,000	37,253	30,560
Consultant fees	25,000	-	-
	65,000	37,253	30,560
Salaries and benefits			
Salaries and benefits	11,707,300	12,014,644	11,531,204
Employee future benefits	271,000	244,092	255,573
	11,978,300	12,258,736	11,786,777
Supplies and services			
General cleaning and office expense	100,000	71,790	94,969
Heat, light and water	30,000	25,936	25,886
Printing and stationery	115,000	98,231	111,119
Rent, insurance and taxes	926,700	868,569	814,447
Telephone and postage	215,000	208,735	209,991
	1,386,700	1,273,261	1,256,412
Travel	190,000	193,955	169,441
	$ 19,603,000	$ 19,127,751	$ 18,585,733

Nova Scotia Liquor Corporation
Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

**To the Members of the Board of
Nova Scotia Liquor Corporation**

We have audited the balance sheet of the **Nova Scotia Liquor Corporation** as at March 31, 2007 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
June 25, 2007

Grant Thornton LLP
Chartered Accountants

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Nova Scotia Liquor Corporation
Statements of Earnings and Retained Earnings

Year Ended March 31 (in thousands)	2007	2006
Net sales	$ 504,718	$ 486,084
Cost of goods sold	242,345	233,008
	262,373	253,076
Store operating expenses	47,066	45,876
	215,307	207,200
Depreciation and amortization	4,833	4,554
Supply chain expense	5,262	4,834
Corporate services expense	17,161	17,428
Other revenue	(6,321)	(5,741)
Other expenses	6,131	4,909
	27,066	25,984
Net earnings	$ 188,241	$ 181,216
Retained earnings, beginning of year	$ -	$ -
Net earnings	188,241	181,216
Distributions to the Province	(188,241)	(181,216)
Retained earnings, end of year	$ -	$ -

See accompanying notes to the financial statements.

Nova Scotia Liquor Corporation
Balance Sheet

March 31 (in thousands)	2007	2006
Assets		
Current		
Cash and cash equivalents	$ 18,354	$ 2,478
Receivables	2,219	2,480
Inventories	36,761	30,011
Prepaids	879	771
	58,213	35,740
Property and equipment (Note 3)	36,686	26,604
Assets under capital lease	-	112
	$ 94,899	$ 62,456
Liabilities		
Current		
Payables and accruals	$ 33,941	$ 31,573
Payable to Minister of Finance	38,217	8,275
Current portion of obligation under capital lease (Note 4)	847	737
Current portion of employee future benefit obligations (Note 5)	666	684
	73,671	41,269
Obligations under capital lease (Note 4)	4,456	5,313
Employee future benefit obligations (Note 5)	16,772	15,874
	$ 94,899	$ 62,456

Commitments (Note 6)

On behalf of the Board

The Honourable Peter L. McCreath, PC, MA, FRSA
Chair, Board of Directors

Mr. James G. MacLean, B.Sc., LL.B.
Audit Committee Chair

See accompanying notes to the financial statements.

Nova Scotia Liquor Corporation
Statement of Cash Flows

March 31 (in thousands)	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	$ 188,241	$ 181,216
Depreciation and amortization	4,833	4,554
(Gain) loss on disposal of property and equipment	(33)	254
Increase in employee future benefit obligations	880	809
	193,921	186,833
Change in non-cash operating working capital (Note 7)	(4,228)	8,780
	189,693	195,613
Financing		
Principal payments on obligations under capital lease	(747)	(643)
Remittances to Minister of Finance	(158,300)	(189,700)
	(159,047)	(190,343)
Investing		
Proceeds on property and equipment	387	566
Purchase of property and equipment	(15,157)	(12,885)
	(14,770)	(12,319)
Increase (decrease) in cash and cash equivalents	15,876	(7,049)
Cash and cash equivalents, beginning of year	2,478	9,527
Cash and cash equivalents, end of year	$ 18,354	$ 2,478

See accompanying notes to the financial statements.

Nova Scotia Liquor Corporation
Notes to the Financial Statements

March 31, 2007

1. Nature of operations

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate. The Corporation is exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

Inventories

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from a bonded warehouse.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization is provided on the straight-line basis at the following annual rates:

Furniture, fixtures, other equipment, capital and leasehold improvements	10%
Computers – stand-alone	33%
Computers – integrated systems	20%
Land and buildings	4%

In the year of addition, depreciation is charged at the full annual rate.

Land costs, which normally would not be depreciated, are depreciated due to the retention of proceeds by the Province of Nova Scotia.

Work in progress includes assets not yet being used, but already purchased. These assets are depreciated when they are available for use.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Assets under capital lease

Assets under capital lease are depreciated over their estimated useful lives using the straight-line method.

Employee future benefits

The Corporation has a Public Service Award Program covering substantially all of its permanent employees. The benefit is based on years of service and the employee's compensation during the final year of employment. This program is funded in the year of retirement of eligible employees.

The Corporation pays 65% of the cost of health care plans for substantially all retirees or surviving spouses of retirees. This program is funded each year by the payment of the required premiums.

Nova Scotia Liquor Corporation
Notes to the Financial Statements
March 31, 2007 (in thousands)

2. Summary of significant accounting policies (continued)

Employee future benefits (continued)

The Corporation accrues its obligations under these employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies.

- The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs.
- The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 10 years.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

Financial Instruments

The Corporation's financial instruments include cash and cash equivalents, receivables, payables and accruals, payable to Minister of Finance and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of these financial instruments approximate their carrying values except for the obligation under capital lease. The fair value of the obligation under capital lease was not determinable due to the fact exit costs were not known.

3. Property and equipment

	2007	2006
Furniture and fixtures	$ 11,699	$ 8,743
Other equipment	6,696	8,126
Computers	10,030	12,713
Land and buildings	12,042	11,673
Capital and leasehold improvements	31,204	32,639
Work in progress	12,983	5,790
	84,654	79,684
Less: accumulated depreciation	47,968	53,080
	$ 36,686	$ 26,604

Nova Scotia Liquor Corporation
Notes to the Financial Statements

March 31, 2007 (in thousands)

4. Obligation under capital lease

The Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The future minimum lease payments, together with the balance of the obligation under capital lease as of March 31, 200,7 is as follows:

2008	$ 1,536
2009	1,536
2010	1,536
2011	1,536
2012	1,152
Total minimum lease payments	7,296
Less: amount representing interest	1,993
Balance of obligation	5,303
Less: current portion of obligation	847
	$ 4,456

Administrative expenses include interest of $799 (2006 - $895) related to this obligation.

5. Employee future benefits

The Corporation has two employee future benefit plans for which it is responsible as described in Note 2.

Information about these benefit plans, in aggregate, based on the December 31, 2006 actuarial valuation extrapolated to March 31, 2007 is as follows:

	2007	2006
Accrued benefit obligation:		
Balance, beginning of year	$ 17,599	$ 16,588
Current service cost	684	645
Interest cost	1,045	988
Benefits paid	(860)	(834)
Actuarial (gain) loss	(2,560)	212
Balance, end of year, and funded status – deficit	15,908	17,599
Less: current portion	666	684
Past Service Costs	(80)	(90)
Unamortized net actuarial gain (loss)	1,610	(951)
Accrued benefit liability	$ 16,772	$ 15,874

Nova Scotia Liquor Corporation
Notes to the Financial Statements
March 31, 2007 (in thousands)

5. Employee future benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2007	2006
Discount rate	**5.70%**	5.95%
Rate of compensation increase	**2.50%**	2.90%

The assumed health care cost trend rate at April 1, 2007 was 7.9%, decreasing at 1% per annum to an ultimate rate of 4.42% per annum.

The Corporation's net benefit plan expense was $1,738 (2006 - $1,636).

6. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2007 and 2015. Some of these operating leases contain renewal options at the end of the initial lease term.

The following schedule approximates future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2007:

2008	$ 3,414
2009	$ 2,909
2010	$ 2,122
2011	$ 1,471
2012	$ 1,335

7. Supplemental cash flow information

	2007	2006
Change in non cash operating working capital:		
Receivables	$ 262	$ 600
Inventory	(6,751)	3,327
Prepaids	(108)	127
Payables and accruals	2,369	4,726
	$ (4,228)	$ 8,780
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	$ 18,354	$ 2,478
Interest and bank charges paid	$ 1,244	$ 1,275

Nova Scotia Municipal Finance Corporation Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Directors of
Nova Scotia Municipal Finance Corporation

We have audited the balance sheet of the **Nova Scotia Municipal Finance Corporation** as at March 31, 2007 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

April 18, 2007
Halifax, Nova Scotia

Grant Thornton LLP
Chartered Accountants

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Nova Scotia Municipal Finance Corporation
Balance Sheet

Year Ended March 31	2007	2006
ASSETS		
CURRENT		
Cash and cash equivalents	$ 5,753,494	$ 5,323,186
Accrued interest receivable	10,021,832	9,883,629
HST receivable	1,031	673
Accounts receivable	353	-
Principal due within one year on loans to units	92,686,851	87,451,864
	108,463,561	102,659,352
LONG-TERM		
Loans to units (Note 3)	642,193,561	621,331,159
Less principal included in current assets	92,686,851	87,451,864
	549,506,710	533,879,295
DEFERRED CHARGES:		
Discount on debenture debt	2,073,267	2,388,291
Less accumulated amortization	1,685,856	1,847,055
	387,411	541,236
	$ 658,357,682	$ 637,079,883
LIABILITIES AND EQUITY		
CURRENT		
Accounts payable	$ 32,155	$ 32,413
Due to municipal units	42,500	140,402
Accrued interest payable	9,992,434	9,851,847
Principal due within one year on debentures	92,662,848	87,177,723
	102,729,937	97,202,385
Employee obligations (Note 8)	87,636	80,520
LONG-TERM		
Debentures payable (Note 5)	642,206,880	621,069,953
Less principal included in current liabilities	92,662,848	87,177,723
	549,544,032	533,892,230
DEFERRED CREDITS		
Discount on loans to units	2,067,170	2,381,966
Less accumulated amortization	1,683,014	1,844,595
	384,156	537,371
EQUITY		
Reserve Fund	5,611,921	5,367,377
	$ 658,357,682	$ 637,079,883

See accompanying notes to the financial statements.

On behalf of the Board

____________________________ Director ____________________________ Director

Nova Scotia Municipal Finance Corporation
Statements of Revenue, Expenditure and Reserve Fund

March 31	2007	2006
REVENUE		
Interest on loans to units	$ 32,924,738	$ 32,778,611
Amortization of discount on loans to units	153,215	188,299
Interest on short term investments	240,185	163,390
Recovery of issue costs	350,685	369,393
Reserve fee	379,101	392,170
	34,047,924	33,891,863
EXPENDITURE		
Interest on debenture debt and short term loans	32,921,473	32,763,270
Amortization of discount on debenture debt	153,824	188,917
Debenture issue expenses	349,528	367,209
Administrative expenses (Note 6)	378,555	282,552
	33,803,380	33,601,948
NET REVENUE	244,544	289,915
RESERVE FUND, BEGINNING OF YEAR	5,367,377	5,077,462
RESERVE FUND, END OF YEAR	$ 5,611,921	$ 5,367,377

See accompanying notes to the financial statements.

Nova Scotia Municipal Finance Corporation
Statement of Cash Flows

Year Ended March 31	2007	2006
Cash provided by (used for)		
Operations		
Net revenue	$ 244,544	$ 289,915
Add (deduct) non-cash items		
Amortization of discount on loans to units	(153,215)	(188,299)
Amortization of discount on debenture debt	153,824	188,917
Amortization of premiums on investments	-	8,811
Change in non-cash working capital (Note 7)	(96,487)	3,381
Increase in accrued public service award	7,116	6,000
	155,782	308,725
Investments		
Issue of loans	(108,314,265)	(112,048,474)
Principal received on loans to units	87,451,864	81,038,164
Principal received on maturing investments	-	433,000
	(20,862,401)	(30,577,310)
Financing		
Issue of debentures	108,314,650	112,048,000
Principal payments on debenture debt	(87,177,723)	(80,999,290)
	21,136,927	31,048,710
INCREASE IN CASH AND CASH EQUIVALENTS	430,308	780,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,323,186	4,543,061
END OF YEAR	$ 5,753,494	$ 5,323,186

Cash and cash equivalents includes:

	2007	2006
Cash	$ 126,494	$ 21,820
Short term investments (Note 9)	5,627,000	5,301,366
	$ 5,753,494	$ 5,323,186

See accompanying notes to the financial statements.

Nova Scotia Municipal Finance Corporation
Notes to the Financial Statements

March 31, 2007

The Corporation was created by the Municipal Finance Corporation Act which was proclaimed on July 31, 1979. The Corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The objective of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, regional school boards, and hospitals through a central borrowing authority. The Corporation is not subject to provincial or federal income taxes.

1. Summary of significant accounting policies

A) Discounts on debenture debt and loans to units made prior to the fall issue in 2004 are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method. All debenture debt and loans to units since the fall issue in 2004 are issued at par.

B) The Reserve Fund represents accumulated surpluses and interest earnings on funds which had been advanced by the Province of Nova Scotia and interest on other surplus funds. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide funds which may be required for administrative purposes and timing differences.

C) Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management does not anticipate that actual results will differ materially from those estimates.

D) The Corporation recognizes revenue and expenditures on an accrual basis.

E) Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less.

2. Financial instruments

Fair value

The fair values of accrued interest receivable, other receivables, accounts payable, due to municipal units, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short term to maturity. The fair value of investments are disclosed in the financial statements. As the Corporation is a special purpose entity, and there is no comparable outside market, the fair value of the loans receivable and debentures payable was not determinable.

Interest rate risk

The Corporation's mandated rate of interest charged on loans to units is directly matched to its cost of borrowing, thereby providing a hedge against equity erosion.

Nova Scotia Municipal Finance Corporation
Notes to the Financial Statements

March 31, 2007

2. Financial instruments (continued)

Credit risk

Due to existing statutory provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from financial instruments.

3. Loans to units

Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 7.0%.

4. Principal payments

Principal payments receivable from units and debentures payable in the next five years are as follows:

	Receivable	Payable
2008	$ 92,686,851	$ 92,662,848
2009	$ 78,614,312	$ 78,606,807
2010	$ 74,041,528	$ 74,094,144
2011	$ 60,325,885	$ 60,324,942
2012	$ 55,427,150	$ 55,422,287

Nova Scotia Municipal Finance Corporation
Notes to the Financial Statements

March 31, 2007

5. Debentures payable

The debenture debt outstanding at March 31, 2007 totalling $642,206,880 (2006 - $621,069,953) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" and the FCM loans which are private placements.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
AM *	May 12/97	2007	7.000	8,879,000
AN *	Oct. 17/97	2007	6.250	14,231,000
AP *	Jan. 30/98	2008 to 2019	5.750-6.125	32,330,000
AQ	May 15/98	2007 to 2008	5.375-5.500	9,335,000
AR *	Dec. 1/98	2007 to 2008	5.625	17,366,000
AS *	May 17/99	2007 to 2009	5.250-5.375	19,192,000
AT	May 28/99	2007 to 2015	1.000	1,518,750
AU *	Dec. 22/99	2007 to 2009	6.625-6.750	15,156,000
AV *	June 1/00	2007 to 2010	6.75-6.875	10,845,000
AW *	Nov. 9/00	2007 to 2010	6.250-6.375	11,956,000
AX *	May 29/01	2007 to 2011	5.875-6.250	17,202,000
AY *	Nov. 7/01	2007 to 2011	5.250-6.000	10,523,000
AZ *	May 15/02	2007 to 2012	5.375-6.125	34,850,000
BA *	Nov. 7/02	2007 to 2017	4.625-6.000	19,597,000
BB *	Jan. 9/03	2007 to 2023	5.913	9,823,480
BC *	May 28/03	2007 to 2018	4.375-5.750	36,305,000
BD *	Oct. 15/03	2007 to 2018	3.750-5.375	16,175,000
BE *	June 10/04	2007 to 2019	3.750-5.750	21,603,000
BF *	Sept 1/04	2007 to 2024	3.985-5.940	99,000,000
BG *	Nov 25/04	2007 to 2019	3.805-5.325	24,883,000
BH *	June 1/05	2007 to 2020	3.215-4.880	49,749,000
BI *	Nov 22/05	2007 to 2020	3.760-4.830	53,373,000
BJ*	June 1/06	2007 to 2021	4.285-5.080	51,873,000
BK*	Oct 24/06	2007 to 2021	4.095-4.590	55,287,000
FCM-A	Oct 31/06	2007 to 2016	2.550	830,800
FCM-B	Mar. 5/07	2008 to 2017	2.620	323,850
				$ 642,206,880

* Placed directly with the Province of Nova Scotia.

Interest is payable semi-annually, except for Series "AT", which is payable annually.

Nova Scotia Municipal Finance Corporation
Notes to the Financial Statements

March 31, 2007

6. Administrative expenses

	2007 Budget	2007 Actual	2006 Actual
Salaries and benefits	$ 300,023	$ **288,822**	$ 205,159
Travel	6,400	**3,750**	4,463
Equipment and maintenance	5,300	**4,861**	4,116
Printing	3,500	**3,466**	2,716
Postage	1,400	**1,981**	1,655
Telecommunications	4,500	**3,963**	3,732
Stationery and supplies	3,800	**2,186**	2,459
Professional services	25,480	**24,430**	24,380
Bank charges	3,045	**3,326**	2,804
Directors' fees and expenses	6,800	**4,647**	5,778
Professional development	7,500	**11,165**	6,057
Dues and subscriptions	2,600	**2,583**	1,792
Insurance	990	**891**	873
Other	500	**2,952**	28
Special projects	12,000	**12,532**	11,040
Sponsorship projects	8,000	**7,000**	5,500
	$ 391,838	$ **378,555**	$ 282,552

7. Change in non-cash working capital

	2007	2006
Accrued interest receivable	$ **(138,203)**	$ 106,123
HST receivable	**(358)**	(179)
Accounts receivable	**(353)**	-
Accounts payable	**(258)**	(2,059)
Accrued interest payable	**140,587**	(104,689)
Due to municipal units	**(97,902)**	4,185
	$ **(96,487)**	$ 3,381

Nova Scotia Municipal Finance Corporation
Notes to the Financial Statements

March 31, 2007

8. Employee obligations

Public service awards

As at March 31, 2007, the Corporation has recorded a liability in the amount of $87,636 (2006 - $80,520) in respect of the provincial public service award for the employees of the Corporation.

Employee future benefits / pension

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan. The cost of pension benefits is the responsibility of the Province of Nova Scotia and accordingly no provision is included in the Corporation's financial statements for pension related amounts. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia.

9. Short-term investments

The Corporation holds short term investments. The investments mature at various intervals during 2007 with interest rates ranging from 4.27% to 5.00% with market values equal to carrying values in 2007 and 2006 fiscal years.

Financial Statements of

NOVA SCOTIA PENSION AGENCY

Year ended March 31, 2007

KPMG

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AUDITORS' REPORT

To the Minister of Finance

We have audited the statement of financial position of Nova Scotia Pension Agency as at March 31, 2007 and the statement of operations for the year then ended. These financial statements are the responsibility of the Nova Scotia Pension Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Pension Agency as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Nova Scotia Pension Agency taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We have not audited the statement of financial position of the Nova Scotia Pension Agency as at March 31, 2006 and the statement of operations for the period then ended, and accordingly, we do not express an opinion on them.

KPMG LLP

Chartered Accountants

Halifax, Canada

May 18, 2007

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

NOVA SCOTIA PENSION AGENCY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006 (Unaudited)
Assets		
Current assets:		
Cash	$ 200	$ -
Accounts receivables - pension plans	4,875,255	-
Accrued receivable - pension plans	3,797,838	2,442,825
	$ 8,673,293	$ 2,442,825
Liabilities		
Current liabilities:		
Accounts payable	$ 814,223	$ -
Accrued liabilities	3,870,756	-
Due to Province of Nova Scotia, advances	3,988,314	2,442,825
Commitments (note 2)		
	$ 8,673,293	$ 2,442,825

See accompanying notes to financial statements.

NOVA SCOTIA PENSION AGENCY

Statement of Operations

Year ended March 31, 2007, with comparative figures for the 50 day period ended March 31, 2006

	2007	2006 (Unaudited)
Recoveries from pension plans (Schedule 1)	$ 20,485,179	$ 2,442,825
Operating expenses:		
Salaries and benefits	2,561,104	327,582
Travel	52,120	3,398
Professional services	786,929	73,911
Management fees	16,014,084	1,852,022
Supplies and services	514,845	101,637
Other	556,097	84,275
	20,485,179	2,442,825
Excess of recoveries over expenses	$ -	$ -

See accompanying notes to financial statements.

NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements

Year ended March 31, 2007

Nova Scotia Pension Agency (the "Agency") was established on February 10, 2006 pursuant to Order in Council 2006-97. The Agency is responsible for providing pension administration and investment services as directed by the Trustee of the Teachers' Pension Plan and the Minister of Finance as Trustee for the Nova Scotia Public Service Superannuation Plan, Members of the Legislative Assembly Pension Plan and the Sydney Steel Corporation Superannuation Fund.

1. Significant accounting policies:

(a) Basis of presentation:

The policies used in preparing the Agency's financial statements are in accordance with Canadian generally accepted accounting principles. Expenses and recoveries are recognized on an accrual basis.

The Agency is funded from the pension plans on a full cost recovery basis. Transactions reported for the period February 10, 2006 to March 31, 2006 are derived from the Pensions and Investments Division accounts of the Department of Finance, Province of Nova Scotia.

(b) Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

(c) Revenue recognition:

Revenue of the Agency is derived from the four Provincial Pension Plans and represents the recovery of 100% of the expenses allocated to the Agency.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2007

2. Commitments:

As at March 31, 2007, the Agency was contractually obligated under various operating and occupancy leases. Future minimum annual lease payments over the next five years are as follows.

2008	$ 224,546
2009	220,163
2010	219,013
2011	219,013
2012	221,727
	$ 1,104,462

3. Related party transactions:

Included in the financial statements of the Agency are transactions with various provincial government departments. Funding of expenses for the Agency is provided initially by the Department of Finance on a full recovery basis. Significant related party transactions include:

	Recoveries from	Purchases from	Year-end payables
Department of Finance	$ 22,500	$ 450,042	$ 3,988,314
Department of Transportation and Public Works	-	428,418	-
Department of Justice	-	113,655	-
Communications Nova Scotia	-	59,756	-
Office of the Auditor General	-	24,175	-
Department of Natural Resources	-	20,425	-
	$ 22,500	$ 1,096,471	$ 3,988,314

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2007

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4. Employee pension plan:

Employees of the Agency participate in the Nova Scotia Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2007 were $144,959 and are recognized as an expense in the period. The Agency is not responsible for any under-funded liability, nor does the Agency have any access to any surplus that may arise in the Plan.

5. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted per the current year.

NOVA SCOTIA PENSION AGENCY

Schedule of Recoveries by Fund

Year ended March 31, 2007, with comparative figures for the 50 day period ended March 31, 2006

	2007	2006 (Unaudited)
Teachers' Pension Plan:		
Salaries and benefits	$ 1,269,594	$ 164,916
Travel	28,344	1,750
Professional services	414,655	38,876
Management fees	8,739,246	1,029,724
Supplies and services	253,997	49,444
Other	280,040	44,992
	10,985,876	1,329,702
Nova Scotia Public Service Superannuation Plan:		
Salaries and benefits	1,205,626	153,086
Travel	23,396	1,570
Professional services	286,619	33,801
Management fees	7,278,179	822,298
Supplies and services	242,091	48,262
Other	259,527	38,246
	9,295,438	1,097,263
Sydney Steel Corporation Superannuation Fund:		
Salaries and benefits	79,735	8,894
Travel	353	72
Professional services	37,648	1,146
Supplies and services	17,414	3,649
Other	15,346	963
	150,496	14,724
Members of the Legislative Assembly Pension Plan:		
Salaries and benefits	6,150	686
Travel	27	6
Professional services	22,165	88
Supplies and services	1,343	282
Other	1,184	74
	30,869	1,136
Miscellaneous recoveries - Department of Finance:		
Professional services	22,500	-
Total recoveries from pension funds	$ 20,485,179	$ 2,442,825

Financial Statements

NOVA SCOTIA POWER FINANCE CORPORATION

March 31, 2007

Deloitte

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: (902) 422-8541
Fax: (902) 423-5820
www.deloitte.ca

Auditors' Report

To the Board of Directors,
Nova Scotia Power Finance Corporation

We have audited the balance sheet of Nova Scotia Power Finance Corporation as at March 31, 2006 and 2007 and the statements of earnings and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Corporation is not able with reasonable effort to provide all of the necessary disclosures required by CICA Handbook Section 3861 – *Financial Instruments - Disclosures and Presentation*. Specifically the Corporation is not able with reasonable effort to provide the historical cost of the investments or the effective interest rate of the investments as this information is not available. In this respect, the financial statements are not in accordance with the Canadian generally accepted accounting principles.

In our opinion, except for the effects of the failure to provide necessary disclosures regarding the investments historical cost and interest rates as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and 2007 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
April 20, 2007

NOVA SCOTIA POWER FINANCE CORPORATION

Balance Sheets

March 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	$ 12,058	$ 9,957
Accrued interest receivable (Note 4)	22,536	22,722
	34,594	32,679
Defeasance assets (Note 4)	1,576,251	1,595,723
	$ 1,610,845	$ 1,628,402
LIABILITIES		
Current		
Accrued interest on outstanding debt (Note 5)	$ 37,138	$ 37,325
Long-term debt (Note 5)	1,563,120	1,578,511
	1,600,258	1,615,836
EQUITY		
Retained earnings	10,587	12,566
	$ 1,610,845	$ 1,628,402

APPROVED BY THE BOARD

.... Director

.... Director

NOVA SCOTIA POWER FINANCE CORPORATION

Statement of Earnings and Retained Earnings

Year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Interest revenues	**$ 55,398**	$ 56,915
Interest expenses	**(108,041)**	(109,637)
	(52,643)	(52,722)
Realized fair value gain on investments	**1,189**	824
Change in market value		
Change in market value of investments	**39,235**	46,532
Change in market value of long-term debt	**10,285**	12,925
	49,520	59,457
Unrealized foreign exchange gains (losses)		
Unrealized foreign exchange gain on US dollar cash balances	**(33)**	41
Unrealized foreign exchange loss on US dollar investments	**(5,118)**	(18,001)
Unrealized foreign exchange gain on US dollar long-term debt	**5,106**	17,936
	(45)	(24)
Net earnings	**(1,979)**	7,535
Retained earnings, beginning of year (Note 2)	**12,566**	5,031
Retained earnings, end of year	**$ 10,587**	$ 12,566

NOVA SCOTIA POWER FINANCE CORPORATION
Statements of Cash Flows
Year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Cash provide by (used in):		
Net earnings	$ **(1,979)**	$ 7,535
Add items not involving cash:		
Change in market value of investments	**(39,235)**	(46,532)
Change in market value of long-term debt	**(10,285)**	(12,925)
Unrealized foreign exchange loss on US dollar investments	**5,118**	18,001
Unrealized foreign exchange gain on US dollar long-term debt	**(5,106)**	(17,936)
Realized fair value gain on investments	**(1,189)**	(824)
Changes in non-cash working capital balances	**(1)**	(27)
	(52,677)	(52,708)
Investing		
Investment maturities	**54,778**	49,919
Change in cash balance for the year	**2,101**	(2,789)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**9,957**	12,746
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **12,058**	$ 9,957

Supplemental cash flow information:		
Cash paid for interest	$ **108,228**	$ 110,219

NOVA SCOTIA POWER FINANCE CORPORATION

Notes to the Financial Statements

March 31, 2007
(in thousands of dollars)

1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia (the "Province") passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds, to Nova Scotia Power Inc. ("NSPI") in exchange for:

a. matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and

b. 20,134,666 fully paid common shares of NSPI issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") which continued to hold the long-term debt and sinking fund assets and the matching notes receivable and notes payable.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as defined in the Debt Restructuring Agreement.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2005, NSPFC adopted CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement,* Section 3861, *Financial Instruments – Disclosure and Presentation,* and Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Under these new standards, all financial instruments are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. These new standards have been applied prospectively without restatement of prior period amounts.

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Statements
March 31, 2007
(in thousands of dollars)

2. CHANGES IN ACCOUNTING POLICIES (continued)

Management has decided to present financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") for the years ended March 31, 2006 and 2007 including the anticipated application of the financial instruments sections 3855 and 3861. In prior years NSPFC presented financial information using a disclosed basis of accounting where debt and defeasance assets were reported at estimated market values.

The new standards require NSPFC to record an adjustment to the 2006 opening retained earnings for any unrealized gains or losses present at that date. Historical cost information is not available to determine this adjustment; therefore, this amount has not been separately disclosed and is included in the April 1, 2005 opening retained earnings balance.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian generally accounting principles except for all of the necessary disclosures required under CICA Handbook Section 3861 – *Financial Instruments – Disclosures and Presentation.* Specifically the Corporation is not able with reasonable effort to provide the historical cost of the investments or the effective interest rate of the investments. In this respect, the financial statements are not in accordance with Canadian generally accepted accounting principles. NSPFC's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents is comprised of amounts on deposit with financial institutions.

Defeasance assets

The defeasance assets have been designated as held for trading and are measured at estimated market value with changes in fair value recorded in net income. Fair value is determined by reference to published price quotations in an active market.

Long-term debt

The long-term debt have been designated as held for trading and are measured at estimated market value with changes in fair value recorded in net income. Fair value is determined by reference to published price quotations in an active market.

Foreign currency translation

All US dollar denominated monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income (loss) for the year.

Revenue recognition

Interest income is recorded on the accrual basis.

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Statements
March 31, 2007
(in thousands of dollars)

4. DEFEASANCE ASSETS

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by RBC Global Services. All assets are held in securities issued and guaranteed by the Federal or Provincial Governments.

As at March 31, 2007:

Series	Maturity	Par Value	Market Value	Principal and Coupon Payments Reacquired	Accrued Interest on Investments
AH	April 27, 2007 - October 27, 2015	$ 235,284	$ 209,325	$ 102,252	$ 1,182
AJ	April 27, 2007 - February 7, 2024	274,542	289,912	126,878	5,398
AK	April 27, 2007 - February 26, 2026	319,884	227,808	185,978	324
AM	July 30, 2007 - February 26, 2031	575,801	378,928	230,898	566
AN	March 1, 2020 - April 1, 2021 [1]	347,514	470,278	425,064	15,066
		$1,753,025	$1,576,251	$1,071,070	$ 22,536

As at March 31, 2006:

Series	Maturity	Par Value	Market Value	Principal and Coupon Payments Reacquired	Accrued Interest on Investments
AH	April 27, 2006 - October 27, 2015	$ 250,019	$ 215,696	$ 106,076	$ 1,182
AJ	April 27, 2006 - February 7, 2024	282,971	294,852	123,656	5,398
AK	April 27, 2006 - February 26, 2026	334,131	230,111	187,269	324
AM	July 30, 2006 - February 26, 2031	593,167	377,169	225,433	566
AN	March 1, 2020 - April 1, 2021 [1]	351,276	477,895	432,542	15,252
		$1,811,564	$1,595,723	$1,074,976	$ 22,722

[1] *Amounts in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements (exchange rate was $1.1529 as of March 31, 2007 and $1.1671 as of March 31, 2006).*

Par value of investments maturing in less than one year	$ 45,926
Par value of investments maturing in more than one year and less than five years	209,403
Par value of investments maturing in more than five years	1,497,696
	$1,753,025

NOVA SCOTIA POWER FINANCE CORPORATION

Notes to the Financial Statements

March 31, 2007
(in thousands of dollars)

5. LONG-TERM DEBT

As at March 31, 2007:

Series	Maturity Date	Rate	Par Value	Market Value	Accrued Interest on Outstanding Debt
Debentures					
AH	November 15, 2012	11.875%	$ 150,000	$ 199,012	$ 6,078
AJ	April 27, 2014	11.250%	200,000	284,214	9,555
AK	January 10, 2020	10.250%	150,000	229,844	3,370
AM	February 26, 2031	11.000%	200,000	381,566	1,989
AN	April 1, 2021 [1]	9.400%	345,870	468,484	16,146
			$ 1,045,870	$ 1,563,120	$ 37,138

As at March 31, 2006:

Series	Maturity Date	Rate	Par Value	Market Value	Accrued Interest on Outstanding Debt
Debentures					
AH	November 15, 2012	10.875%	$ 150,000	$ 203,950	$ 6,078
AJ	April 27, 2014	11.250%	200,000	289,730	9,555
AK	January 10, 2020	10.250%	150,000	230,460	3,370
AM	February 26, 2031	11.000%	200,000	377,644	1,989
AN	April 1, 2021 [1]	9.400%	350,130	476,727	16,333
			$ 1,050,130	$ 1,578,511	$ 37,325

[1] *Amounts in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements (exchange rate was $1.1529 as of March 31, 2007 and $1.1671 as of March 31, 2006).*

6. FINANCIAL INSTRUMENTS

Interest rate price risk

NSPFC is exposed to price risk related to changes in market interest rates for both its defeasance assets and debt as all of the assets and debt have fixed interest rates.

Currency risk

NSPFC is exposed to foreign exchange risk related to changes in exchange rates for both its defeasance assets and debt as all of the "AN" series of assets and debt are US dollar denominated. The risk is mitigated by the fact that US dollar denominated investments were purchased to match US dollar denominated cash flows required to fulfill its interest payments and debt retirement obligations.

NOVA SCOTIA POWER FINANCE CORPORATION
Notes to the Financial Statements
March 31, 2007
(in thousands of dollars)

7. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, $120,558 (2006 - $123,230) of such costs were paid by NSPI.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
FINANCIAL STATEMENTS
MARCH 31, 2007

NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Natural Resources

I have audited the statement of financial position of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2007 and the statements of revenues, expenses and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

JR Lapointe

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 29, 2007

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2007

ASSETS

	2007	2006
Current		
Cash	$ 200	$ 200
Advance on grant payment	-	65,000
Due from processors	32,027	11,503
Due from Province of Nova Scotia (Note 5)	508,896	511,895
	$ 541,123	$ 588,598

LIABILITIES AND FUND BALANCE

	2007	2006
Current		
Accounts payable	$ 3,631	$ 250
Due to bargaining agents	17,053	390
Due to Board members	512	361
	21,196	1,001
Fund Balance	519,927	587,597
	$ 541,123	$ 588,598

Commitments (Note 3)

The accompanying notes are an integral part of these statements

Approved on behalf of the Board:

Chair

Member

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

	2007		2006
	Budget	Actual	Actual
Revenues			
Charges against suppliers (Note 1)		$ 205,816	$ 210,619
Less: Bargaining agents funding		60,685	68,111
Charges for funding of Board operations	$ 155,000	145,131	142,508
Interest on fund balance	24,000	29,314	24,822
	179,000	174,445	167,330
Expenses			
Board member per diems	30,000	31,566	23,162
Consulting fees	20,000	19,803	16,417
Equipment and maintenance (Note 2)	2,000	2,889	3,718
Grants	80,000	65,000	64,981
Lease payments – equipment	2,000	1,704	1,589
Lease payments – office space	21,500	20,740	20,740
Legal fees	3,200	1,812	1,200
Other expenses	3,500	2,081	750
Salaries	57,500	55,574	58,232
Supplies and services	7,800	8,002	5,127
Travel	30,100	32,944	20,359
	257,600	242,115	216,275
Excess (Deficiency) of revenues over expenses	$ (78,600)	(67,670)	(48,945)
Fund balance, beginning of year		587,597	636,542
Fund balance, end of year		$ 519,927	$ 587,597

The accompanying notes are an integral part of these statements

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Cash derived from operations		
Excess (Deficiency) of revenues over expenses	$ (67,670)	$ (48,945)
Changes in non-cash operating working capital items		
Advance on grant payment	65,000	(19)
Due from processors	(20,524)	13,596
Due from Province of Nova Scotia	2,999	47,371
Accounts payable	3,381	(1,450)
Due to bargaining agents	16,663	(10,914)
Due to Board members	151	361
	67,670	48,945
Increase (decrease) in cash	-	-
Cash, beginning of year	200	200
Cash, end of year	$ 200	$ 200

The accompanying notes are an integral part of these statements

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding for bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are used.

a) In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

b) Payments of grants are recorded as expenses by the Board when the grant recipient incurs eligible expenditures.

3. Commitments

The Board remits monthly payments of $1,728 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2009.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

4. Pensions and Post-retirement Benefits

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits, are the responsibility of the Province.

5. Related Party Transactions

The Board is related to other departments, agencies, commissions and boards of the Province of Nova Scotia. Transactions with Provincial entities were entered into in the normal course of business.

All funds received by the Board are deposited into an account of the Province of Nova Scotia and all expenditures are made out of the same account. The balance of funds held by the Province on behalf of the Board are presented as a receivable in the statement of financial position.

Nova Scotia Public Service Long Term Disability Plan Trust Fund

Financial Statements

December 31, 2006

Audited Financial Statements

To the Board of Trustees of the Nova Scotia Public Service
Long Term Disability Plan Trust Fund

We have audited the statement of financial position of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2006, and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2006, and the statement of operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Lyle Tilley Davidson

Lyle Tilley Davidson

CHARTERED ACCOUNTANTS
Halifax, Nova Scotia
February 1, 2007

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Financial Position as at December 31, 2006

	2006	2005
ASSETS		
Cash	$4,391,855	$3,501,101
Accounts receivable	1,136,883	1,597,211
Investments (note 3)	65,305,511	48,539,803
Equipment and furnishings (note 4)	30,168	33,496
	$70,864,417	$53,671,611
LIABILITIES		
Accounts payable	$2,253,272	$1,128,202
Accrued liability for benefits (note 6)	63,700,000	76,800,000
	65,953,272	77,928,202
SURPLUS (DEFICIENCY)	4,911,145	(24,256,591)
	$70,864,417	$53,671,611

Signed on behalf of the Board of Trustees

George L. Fox,
Chair

Charles J. Bruce,
Chief Executive Officer

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Statement of Operations and Changes in Net Assets for the year as at December 31, 2006

	2006	2005
REVENUE		
Premiums (note 5)	$21,010,124	$19,018,441
EI premium rebates	1,245,650	1,106,812
Investment income	6,922,420	4,920,730
	$29,178,194	**$25,045,983**
EXPENSES		
Disability claims (schedule)	11,273,695	10,992,886
Program administration (schedule)	998,001	1,081,142
Office administration (schedule)	583,401	457,635
Investment expenses (schedule)	187,509	131,748
Trustee expenses	67,852	97,077
	13,110,458	**12,760,488**
EXCESS OF REVENUE OVER EXPENSES	16,067,736	12,285,495
DECREASE (INCREASE) IN ACCRUED LIABILITIES FOR BENEFITS (note 6)	**13,100,000**	**(10,217,239)**
INCREASE IN NET ASSETS	29,167,736	2,068,256
NET ASSETS (DEFICIENCY) - BEGINNING OF YEAR	**(24,256,591)**	**(26,324,847)**
NET ASSETS (DEFICIENCY) - END OF YEAR	$4,911,145	**$(24,256,591)**

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended December 31, 2006

1. OVERVIEW

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the Trustees.

The Plan was established by Order in Council dated September 26, 1985.

The Trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985, for employees who, at that time, met prescribed eligibility requirements.

2. ACCOUNTING POLICIES

Financial instruments

Unless otherwise indicated, it is management's opinion that the fund is not exposed to significant interest, currency or credit risks arising from their various financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Disability claims

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

Investments

Marketable securities are stated at market value.

Amortization of equipment and furnishings

The fund records amortization of the equipment and furnishings at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended December 31, 2006

3. INVESTMENTS

Investments include marketable securities, accrued interest thereon, and the custodian's account balance. The investments as at December 31, 2006, are recorded at market value of $65,305,511 (cost - $59,428,099) and as at December 31, 2005, were recorded at market value of $48,539,803 (cost - $44,624,965).

4. EQUIPMENT AND FURNISHINGS

	2006			2005
	Cost	Accumulated amortization	Net	Net
Computer/office equipment	$88,727	$60,170	$28,557	$32,197
Software	6, 467	4,856	1,611	1,299
	$95,194	$65,026	$30,168	$33,496

5. PREMIUMS

	2006	2005
Atlantic Provinces Special Education Authority Centres	$90,923	$72,017
Capital District Health Authority	3,271,733	3,404,664
District Health Authority 3	188,310	154,259
District Health Authority 4, 5 and 6	197,295	168,681
District Health Authority 7 and 8	276,424	219,859
Nova Scotia Business Inc.	138,795	87,859
Nova Scotia Community College	1,056,330	983,977
Nova Scotia Government & General Employees Union	101,249	98,196
Nova Scotia Legal Aid	279,507	274,224
Nova Scotia Utility and Review Board	67,403	56,029
Other	72	30,937
Province of Nova Scotia Employees	15,311,384	13,428,114
Université Sainte-Anne	30,699	39,625
	$21,010,124	$19,018,441

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended December 31, 2006

6. ACTUARIAL VALUATION

An actuarial valuation was completed as at December 31, 2006 which calculated the present value of the fund liabilities for current claims plus estimated incurred but unreported claims to be $63,700,000. The actuarial value of the fund assets as at December 31, 2006 was $68,611,145, leaving an actuarial surplus of $4,911,145.

The liability as at December 31, 2006 has been reconciled with the results of the previous valuation as at December 31, 2003 and the major items contributing to the progression of the liability have been quantified. There have been significant claims experience gains over the three year period. This liability also includes the cost of providing ad-hoc inflation to claims in course of payment as at December 31, 2006.

The data used for the valuation as at December 31, 2006 was provided by the disability claims manager. Tests have been performed on the in-force claims data as were deemed appropriate under the circumstances to satisfy the actuary of the accuracy and completeness of the data.

The actuarial basis used for the valuation as at December 31, 2006 is similar to that used in the December 31, 2003, valuation with the following modifications:

- The rate used to discount liabilities is 5.50%, net of investment related expenses
- The impact of pending CPP claims on benefit offset amounts has been reflected
- A provision for future rehab expenditures on current claims has been introduced

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Schedule of Disbursements and Expenses for the year ended December 31, 2006

[illegible]	2006	2005
DISABILITY CLAIMS		
Disability benefits paid	$11,943,528	$11,869,771
CPP recoveries	(438,367)	(581,058)
Subrogation recoveries	(141,411)	(234,216)
WCB recoveries	(90,055)	(61,611)
	$11,273,695	$10,992,886
PROGRAM ADMINISTRATION		
Plan administration services	$621,502	$ 611,701
Rehabilitation program	253,776	319,623
Legal - other	74,146	78,986
Legal - subrogation	27,133	45,391
Actuarial	21,444	25,441
	$998,001	$1,081,142
OFFICE ADMINISTRATION		
General office and administration	$554,465	$429,983
Audit and accounting	17,702	18,311
Amortization	11,234	9,341
	$583,401	$ 457,635
INVESTMENT EXPENSES		
Investment manager	$153,308	$93,850
Investment custodian	34,201	37,898
	$187,509	$ 131,748

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2007 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2007 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 30, 2007

Nova Scotia Government Web Site
http://www.gov.ns.ca

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS NET OF DEFICIENCY
AS AT MARCH 31, 2007

	2007	2006
	(000's)	(000's)
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	$ 3,898,160	$ 3,582,798
Contributions receivable		
Employees'	2,290	2,294
Employers'	2,517	2,638
Accrued income	16,203	15,857
Prepayment and sundry receivables	2,598	1,934
Cash	2,531	3,549
Total assets	3,924,299	3,609,070
Liabilities		
Real estate mortgages (Note 4)	53,235	33,851
Accounts payable	17,993	31,191
Net investment transactions outstanding	36,024	2,264
Total liabilities	107,252	67,306
Net assets available for benefits	3,817,047	3,541,764
Actuarial asset value adjustment (Note 5)	582	276
Actuarial value of net assets available for benefits	$ 3,817,629	$ 3,542,040
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits (Note 6)	$ 4,265,104	$ 3,952,745
Deficiency (Note 6)	(447,475)	(410,705)
Accrued pension benefits net of deficiency	$ 3,817,629	$ 3,542,040

Subsequent events (Note 9)

Approved:

Michael

Trustee - Minister of Finance

See accompanying notes to consolidated financial statements.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Increase In Assets	(000's)	(000's)
Investment activities (Note 3)	$ 370,679	$ 446,244
Contributions		
Employers' – matched	55,054	47,807
Employees' – matched	55,054	47,807
Employees' – unmatched	1,271	2,073
Interest on the purchase of prior years' service	-	91
Transfers from other pension plans	2,361	1,380
	113,740	99,158
Total increase in assets	484,419	545,402
Decrease In Assets		
Benefits paid	183,880	173,445
Operating expenses (Note 7)	9,313	8,548
Refunds of contributions and interest and transfers to other pension plans	15,943	10,481
Total decrease in assets	209,136	192,474
Increase in Net Assets	275,283	352,928
Net Assets Available for Benefits at Beginning of Year	3,541,764	3,188,836
Net Assets Available for Benefits at End of Year	$ 3,817,047	$ 3,541,764

See accompanying notes to consolidated financial statements

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority and Description of Plan

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "Plan"), a pension plan that covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas, are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Act and Regulations.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund, which is invested in federal, provincial, municipal and corporate securities that qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 6.4% of salary up to the Year's Maximum Pensionable Earnings (the "YMPE") and 8% of salary above the YMPE. The YMPE is a figure set annually by the Canada Pension Plan ("CPP"). [Effective April 1, 2007, contribution rates below and above the YMPE increased to 7.4% and 9.6% respectively.]

The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:
- age 50 with an age plus pensionable service factor of 80 – "Rule of 80";
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;
- age 65.

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to $16.7 million for the year ended March 31, 2007 (2006 - $16.6 million).

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. Summary of Significant Accounting Policies

(a) Basis of Presentation:

These consolidated financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Consolidation:

The Fund holds certain real estate investments through wholly-owned subsidiaries. The consolidated financial statements include the financial statements of the Plan and its subsidiaries.

(c) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market values of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

(d) Investments:

(i) Investments are reported as of trade date and are stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Money market securities, fixed income securities and equities are valued at quoted market prices.

Private equity values are estimated with appropriate valuation techniques and best estimates of managers or appraisers.

(ii) The derivative contracts held by the Fund at year-end are valued using quoted market indices. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. Summary of Significant Accounting Policies (continued)

(iii) Real estate is composed of income producing properties and real estate pooled funds. Unless recently acquired in the current fiscal year, properties, including real estate mortgages, are valued annually by independent appraisers in accordance with generally accepted appraisal practices and procedures. This process utilizes discounted future cash flows. In estimating future cash flows certain assumptions are made with respect to future economic conditions and rates of return.

The fair value of any real estate that has been recently acquired is based on the purchase price.

(e) Investment Income/Loss:

Investment income/loss includes interest, dividends and operating income/loss from real estate, which is recorded on the accrual basis. Also included are gains and losses that have been realized on disposal of investments, and the unrealized appreciation and depreciation in the fair value of investments.

(f) Non-investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

(g) Contributions:

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded when received.

(h) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. Summary of Significant Accounting Policies (continued)

(i) Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

(j) Financial Instruments

The Fund's financial instruments include cash, contributions receivable, receivable from the Province of Nova Scotia, investments, net investment transactions outstanding, accounts payable and real estate mortgages. It is management's opinion, unless otherwise noted, that the Fund is not exposed to significant interest, currency or credit risks from its financial instruments.

The Fund's short-term financial instruments, consisting of cash, contributions receivable, receivable from the Province of Nova Scotia, net investment transactions outstanding, and accounts payable are carried at cost which, due to their short-term nature, approximates their fair value. Investments and real estate mortgages are carried at fair value as described in note 2 and are subject to interest, currency and credit risks as described in note 3.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

3. Investments and Derivatives (continued)

(a) Market value of investments and related income before allocating the effect of derivative contracts:

	As at March 31, 2007		For the Year	As at March 31, 2006		For the Year
	Asset	%	Income (Loss)*	Asset	%	Income (Loss)*
	(000's)		(000's)	(000's)		(000's)
Money market	$ 261,758	6.7	$ 13,151	$ 280,322	7.8	$ 9,900
Fixed income						
- Canadian	1,114,537	28.6	51,406	1,012,487	28.3	55,069
- US Funds	35,226	0.9	2,611	32,790	0.9	698
Equities						
- Canadian	855,745	22.0	113,572	1,035,680	28.9	240,076
- US	672,901	17.3	55,178	544,140	15.2	31,957
- Other foreign	703,287	18.0	91,866	474,085	13.2	54,472
Real Estate						
- Canadian	181,464	4.7	17,010	138,497	3.9	7,556
- Pooled fund	71,565	1.8	11,086	60,997	1.7	7,774
Derivatives	1,677	0.0	14,678	3,800	0.1	38,708
Other	-	-	121	-	-	34
	$ 3,898,160	100.0	$ 370,679	$ 3,582,798	100.0	$ 446,244

* Includes realized gains of $169.6 million ($184.3 million - 2006) and unrealized gains of $75.5 million ($131.4 million - 2006).

(b) Derivative Contracts:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy.

Money market-to-equity swaps have been used during the year to adjust the asset mix.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

3. Investments and Derivatives (continued)

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- enters into derivatives only for the purposes of managing risk.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

The following table provides details of these derivative contracts outstanding as at March 31, 2007:

Notional Principal (000's)	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value (000's)
$ 60,380	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	$ 405
60,381	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	445
75,029	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	827
$ 195,790					$ 1,677

Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined.

Money market-to-equity swap contracts are denominated in Canadian dollars and are reset quarterly.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

3. Investments and Derivatives (continued):

(c) Market value of investments and related income after allocating the effects of derivative contracts:

	As at March 31, 2007		For the Year	As at March 31, 2006		For the Year
	Asset	%	Income*	Asset	%	Income *
	(000's)		(000's)	(000's)		(000's)
Money market	$ 65,606	1.7	$ 6,266	$ 105,745	3.0	$ 5,743
Fixed income						
- Canadian	1,114,537	28.6	51,406	1,012,487	28.3	55,069
- US Funds	35,226	0.9	2,611	32,790	0.9	698
Equities						
- Canadian	1,053,574	27.0	135,135	1,214,057	33.8	282,941
- US	672,901	17.3	55,178	544,140	15.2	31,957
- Other foreign	703,287	18.0	91,866	474,085	13.2	54,472
Real Estate						
- Canadian	181,464	4.7	17,010	138,497	3.9	7,556
- Pooled fund	71,565	1.8	11,086	60,997	1.7	7,774
Other	-	0.0	121	-	0.0	34
	$ 3,898,160	100.0	$ 370,679	$ 3,582,798	100.0	$ 446,244

* Includes realized gains of $169.6 million ($184.3 million - 2006) and unrealized gains of $75.5 million ($131.4 million - 2006).

(d) Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

3. Investments and Derivatives (continued):

(i) Interest rate risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and 7% real estate. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates.

The following breakdown of fixed income securities as at March 31, 2007 is summarized in the following table:

	March 31, 2007						March 31, 2006	
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
	(000's)	(000's)	(000's)	(000's)	(000's)	%	(000's)	%
Money market	$ 261,758	-	-	-	$ 261,758	4.5	$ 280,322	3.8
Bonds and debentures	27,954	$406,649	$ 209,388	$ 345,575	989,566	5.0	884,534	5.3
Real return bonds	-	-	-	124,971	124,971	2.9	127,953	3.1
US Fixed Income	740	5,390	25,257	3,839	35,226	7.2	32,790	6.5
Total	$ 290,452	$ 412,039	$ 234,645	$ 474,385	$ 1,411,521		$ 1,325,599	

The average effective yield reflects the estimated annual income of a security as a percentage of its year end market value.

(ii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

3. Investments and Derivatives (continued):

The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, and to utilize derivative financial instruments, which are designed to mitigate the impact of market risk.

(iii) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(iv) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of equities denominated in foreign currency. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's currency exposure from net investment assets as at March 31, 2007 is summarized in the following table.

	March 31, 2007	March 31, 2006
Currency	(000's)	(000's)
Canada	$ 2,407,839	$ 2,506,128
United States	770,726	610,995
Euro Zone	223,758	136,850
Japan	168,515	136,475
United Kingdom	127,314	78,455
Other	129,593	96,455
Total	$ 3,827,745	$ 3,565,358

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

4. Real Estate Mortgages:

Real estate mortgages are carried at fair value and have various terms to maturity to 2018 with each mortgage secured by a specific real property. Nominal rates range from 5.0% to 8.0%

Scheduled principal repayments in each of the next five years, beginning April 1, 2007 are as follows:

2007	$ 3,624
2008	1,082
2009	5,770
2010	830
2011	10,117
Thereafter	30,224
Total	$ 51,647

The real estate mortgage payables are valued at fair value based on prevailing interest rates.

5. Actuarial Asset Value Adjustment:

The actuarial asset value adjustment is comprised of the following:

	2007 (000's)	2006 (000's)
Service Buy-Back Receivable	$ 582	$ 276

This receivable represents the present value of outstanding employee and employer contributions that are due as a result of service buy-backs.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

6. Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits ("Fund liabilities") calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer Human Resource Consulting, performed a valuation as at December 31, 2006 and issued their report in June 2007. The report indicated that the Plan had an unfunded liability of $436.4 million (December 31, 2005 - $471.8 million). A projection to March 31, 2007, applying the same assumptions, indicated an unfunded liability of $447.5 million (March 31, 2006 - $410.7 million).

The following table reflects the unfunded liability as at March 31, 2007 and as at March 31, 2006.

	2007 (000's)	2006 (000's)
Actuarial value of assets:	$ 3,817,629	$ 3,542,040
Accrued pension benefits:	4,265,104	3,952,745
Unfunded liability:	($ 447,475)	($ 410,705)

Reconciliation of changes in accrued pension benefits:	2007 (000's)	2006 (000's)
Accrued pension benefits at beginning of year	$ 3,952,745	$ 3,721,541
Interest on accrued pension benefits at 7.38%	291,614	274,557
Contributions and transfers from other pension plans	113,740	99,158
Current service cost in excess of contributions	16,803	11,545
Net impact of changes in assumptions	83,834	-
Net impact of experience gains and losses relating to accrued pension benefits	6,191	29,870
Benefits paid	(183,880)	(173,445)
Refunds of contributions and interest and transfers to other pension plans	(15,943)	(10,481)
Accrued pension benefits at end of year	$ 4,265,104	$ 3,952,745

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

6. Accrued Pension Benefits and Deficiency (continued):

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five-year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability.

The major economic and demographic assumptions used in the last valuation are as follows:

	Valuation December 31, 2006	**Valuation December 31, 2005**
Inflation	2.5% per annum	3.0% per annum
Average Salary Increase	Inflation plus merit ranging from 0.0% to 2.5%, per annum	Inflation plus 0.5% plus merit ranging from 0.0% to 2.5%, per annum
Real Rate of Return on Investments	4.25% per annum	4.25% per annum
Average Retirement Age	35% - earliest age for unreduced pension, but not before age 54; 65% - earlier of age 60 and 35 years service	20% - earliest age for unreduced pension, but not before age 55; 80% - earlier of age 60 and 35 years service
Mortality	UP-94 projected to 2015 using scale 'AA'	GAM-94 projected to 2000 using scale 'AA'

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

7. Operating Expenses:

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

	2007	2006
	(000's)	(000's)
Plan Administration		
Professional services	$ 169	$ 165
Salaries	1,010	805
Supplies and services	225	167
Travel	17	6
Other	197	90
	$ 1,618	$ 1,233
Investment Expenses		
Investment management fees	$ 7,294	$ 6,596
Professional services	119	57
Salaries	196	471
Supplies and services	18	114
Travel	6	12
Other	62	65
	$ 7,695	$ 7,315
Total Operating Expenses	$ 9,313	$ 8,548

8. Related Party Transactions:

Investments include debentures of the Province of Nova Scotia with total market value of $14.4 million (0.4% of total assets) as at March 31, 2007 ($14.4 million (0.4% of total assets) as at March 31, 2006).

9. Subsequent Events:

The Public Service Superannuation Act was amended to increase member contribution rates effective April 1, 2007. Each member is required to contribute 7.4% (previously 6.4%) of salary up to the YMPE plus 9.6% (previously 8.0%) of salary in excess of the YMPE. Contributions are matched by the Province.

NOVA SCOTIA TALENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

NOVA SCOTIA
Office of the Auditor General

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AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the consolidated balance sheet of the Nova Scotia Talent Trust as at March 31, 2007 and the consolidated statement of revenue, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, excess (deficiency) of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these consolidated financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

JR Lapointe

Jacques R. Lapointe, CA•CIA
Auditor General

June 12, 2007
Halifax, Nova Scotia

NOVA SCOTIA TALENT TRUST
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2007

ASSETS

	2007	2006
Current		
Cash	$ 48,010	$ 36,909
Investments (Note 3)		
General	20,110	18,128
Simpson	5,099	5,822
	25,209	23,950
Total Assets	$ 73,219	$ 60,859

LIABILITIES AND FUND BALANCE

	2007	2006
Current		
Accounts payable	$ 683	$ -
Fund balance		
Unappropriated (Schedule 1)	42,518	31,100
Appropriated (Schedule 2)	30,018	29,759
	72,536	60,859
Total Liabilities and Fund Balance	$ 73,219	$ 60,859

Approved on Behalf of the Trust

Chairperson

Treasurer

See accompanying notes to the consolidated financial statements

NOVA SCOTIA TALENT TRUST
CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Grant – Province of Nova Scotia	$ 50,000	$ 50,000
Fund raising activities and donations (Note 4)	33,926	4,680
Investment income	1,297	1,468
Miscellaneous	73	2,620
	85,296	58,768
Expenses		
Talent trust grants	62,910	38,900
Special Awards	5,500	4,800
Administration expenses (Note 2)	5,209	2,116
	73,619	45,816
Excess of revenue over expenses	11,677	12,952
Fund Balance, beginning of period	60,859	47,907
Fund Balance, end of period	$ 72,536	$ 60,859

See accompanying notes to the consolidated financial statements

Schedule 1

NOVA SCOTIA TALENT TRUST
OPERATING FUND BALANCE SHEET
AS AT MARCH 31, 2007

ASSETS	2007	2006
Current		
Cash	$ 48,010	$ 36,909
Due from Investment Fund	3,000	4,500
Total Assets	$ 51,010	$ 41,409
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable	$ 683	$ -
Due to Investment Fund	7,809	10,309
Total Liabilities	8,492	10,309
Fund Balance – unappropriated (Schedule 3)	42,518	31,100
Total Liabilities and Fund Balance	$ 51,010	$ 41,409

See accompanying notes to the consolidated financial statements

Schedule 2

NOVA SCOTIA TALENT TRUST
INVESTMENT FUND BALANCE SHEET
AS AT MARCH 31, 2007

ASSETS	2007	2006
Current		
Investments (Note 3)		
General	$ 20,110	$ 18,128
Simpson	5,099	5,822
	25,209	23,950
Due from Operating	7,809	10,309
Total Assets	$ 33,018	$ 34,259
LIABILITIES AND FUND BALANCE		
Long-Term		
Due to Operating Fund	$ 3,000	$ 4,500
Fund balance – appropriated (Schedule 4)	30,018	29,759
Total Liabilities and Fund Balance	$ 33,018	$ 34,259

See accompanying notes to the consolidated financial statements

Schedule 3

NOVA SCOTIA TALENT TRUST
OPERATING FUND
STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Grant – Province of Nova Scotia	$ 50,000	$ 50,000
Donations (Note 4)	33,926	4,555
Interest income	38	25
Miscellaneous	73	2,620
	84,037	57,200
Expenses		
Talent Trust grants	62,910	38,900
Special Awards	5,500	4,800
Administration expenses (Note 2)	5,209	2,116
	73,619	45,816
Excess of revenue over expenses	10,418	11,384
Fund Balance, beginning of period	31,100	6,836
	41,518	18,220
Transfers from Investment Fund	1,000	12,880
Fund Balance, end of period	$ 42,518	$ 31,100

See accompanying notes to the consolidated financial statements

Schedule 4

NOVA SCOTIA TALENT TRUST
INVESTMENT FUND
STATEMENT OF REVENUE AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Donations	$ -	$ 125
Investment income	1,259	1,443
	1,259	1,568
Fund Balance, beginning of period	29,759	41,071
	31,018	42,639
Transfers to Operating Fund	(1,000)	(12,880)
Fund Balance, end of period	$ 30,018	$ 29,759

See accompanying notes to the consolidated financial statements

NOVA SCOTIA TALENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority

The Nova Scotia Talent Trust was established pursuant to the provisions of the Nova Scotia Companies Act and is a registered charitable organization. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the arts.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the following exceptions.

a) Administrative expenses incurred by the Nova Scotia Department of Tourism, Culture and Heritage on behalf of the Trust are not reflected in these financial statements.

b) A Statement of Cash Flow is not provided as disclosure in the balance sheet and statement of revenue, expenses and fund balance and supporting schedules is considered adequate.

3. Investments

Short-term investments are recorded at the lower of cost and market value. Investments consist of four Royal Bank Mutual Funds – 2 RBC Canadian T-Bill Funds, RBC Monthly Income Fund, and RBC Balanced Fund. The market value of these investments as of March 31, 2007 was $27,729.

4. Fund Raising Activities and Donations

In December 2006, an event was held to raise money for the Trust. Revenue generated from the event totaled approximately $18,000 and has been included in the Operating Fund.

5. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism, Culture and Heritage. The Department provides the Trust with grants which account for approximately 59% of its annual revenue. These grants are needed to cover the Trust's annual talent trust grant disbursements.

Nova Scotia Utility and Review Board
Financial Statements
March 31, 2007

Levy
Casey
Carter
MacLean
Chartered Accountants

AUDITORS' REPORT

**TO THE CHAIR AND MEMBERS OF
NOVA SCOTIA UTILITY AND REVIEW BOARD:**

We have audited the balance sheet of Nova Scotia Utility and Review Board as at March 31, 2007 and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 18, 2007

Levy Casey Carter MacLean
**LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS**

Terry Carter Ltd
Stuart S. MacLean Inc
J.E. Melvin Inc
Greg T. Strange Inc

58 Bedford Highway
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Nova Scotia Utility and Review Board
Statement of Operations

Year Ended March 31	Budget	2007	2006
Revenue			
Grant from the Province of Nova Scotia (Note 2 and 15)	$ 3,164,000	$ 3,164,000	$ 3,087,000
Recoveries (Notes 2, 9 and 14)	1,490,955	2,907,896	2,179,816
Assessments to utilities (Note 2)	1,444,278	1,386,128	1,320,123
Interest	16,000	50,842	29,539
	6,115,233	7,508,866	6,616,478
Expenses			
Salaries, wages and benefits	3,974,428	3,936,379	3,270,537
Consulting and legal fees	680,865	1,914,859	1,916,433
Rent and business taxes (Note 10)	552,676	497,900	501,399
Travel	319,472	292,370	216,601
Depreciation	60,000	212,504	62,523
Transcribing and printing	62,407	78,124	84,053
Advertising	70,300	73,570	70,077
Office supplies and services	41,858	69,083	62,567
Maintenance	26,418	51,573	61,095
Equipment (Note 3)	104,949	51,009	80,753
Staff training and development	38,557	41,129	33,789
Sundry expenses	64,898	34,757	52,442
Dues and fees	37,057	32,848	30,049
Telecommunications	34,225	28,644	26,775
Books and reports	31,420	25,286	16,336
Postage and couriers	15,703	15,631	17,424
Bad debts	-	2,042	-
	6,115,233	7,357,708	6,502,853
Operating surplus for the year	$ -	$ 151,158	$ 113,625

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Accumulated Surplus
Year Ended March 31

	2007		
	Province of Nova Scotia	**Public Utilities**	**Total**
Restricted (Note 12)			
Balance, beginning of year	$ 511,569	$ 184,119	$ 695,688
Transferred to general	(81,143)	(39,734)	(120,877)
Balance, end of year	430,426	144,385	574,811
General			
Balance, beginning of year	45,525	24,017	69,542
Operating surplus	105,115	46,043	151,158
Transferred from restricted	81,143	39,734	120,877
Balance, end of year	231,783	109,794	341,577
Total accumulated surplus	$ 662,209	$ 254,179	$ 916,388

	2006		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 12)			
Balance, beginning of year	$ 473,955	$ 177,650	$ 651,605
Transferred from general	37,614	6,469	44,083
Balance, end of year	511,569	184,119	695,688
General			
Balance, beginning of year	-	-	-
Operating surplus	83,139	30,486	113,625
Transferred to restricted	(37,614)	(6,469)	(44,083)
Balance, end of year	45,525	24,017	69,542
Total accumulated surplus	$ 557,094	$ 208,136	$ 765,230

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Balance Sheet

March 31	2007	2006
Assets		
Current		
Cash and cash equivalents (Notes 3, 5 and 13)	$ 1,632,755	$ 1,143,316
Receivables (Note 4)	1,264,160	709,436
Inventory	5,076	5,742
Prepaid expenses	45,300	40,370
	2,947,291	1,898,864
Capital assets (Page 5)	516,853	211,338
	$ 3,464,144	$ 2,110,202
Liabilities		
Current		
Payables and accruals	$ 674,169	$ 263,798
Due to related parties, non-interest bearing, no set terms of repayment	566,643	163,904
Advances for working capital (Note 7)	125,000	125,000
	1,365,812	552,702
Deferred revenue (Note 15)	311,542	-
Post retirement benefits liability (Note 8)	870,402	792,270
	2,547,756	1,344,972
Surplus (Note 2)		
Restricted (Note 12)	574,811	695,688
General	341,577	69,542
	916,388	765,230
	$ 3,464,144	$ 2,110,202

Commitments (Note 10)

On behalf of the Board

_______________ Chair

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Capital Assets
Year Ended March 31, 2007

	Cost				Accumulated Depreciation				2007 Net Book Value	2006 Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Expense	Disposals	Closing		
Furniture	$ 183,514	$ 4,930	$	$ 188,444	$ 151,370	$ 6,814	$	$ 158,184	$ **30,260**	$ 32,144
Computer Equipment	151,424	30,741	13,678	168,487	148,851	12,820	13,678	147,993	**20,494**	2,573
Computer Software	40,403	94,764		135,167	38,563	32,509		71,072	**64,095**	1,840
Leaseholds	156,607			156,607	16,631	16,631		33,262	**123,345**	139,976
Vehicles		374,642		374,642		131,125		131,125	**243,517**	
Equipment	113,370	12,942		126,312	78,565	12,605		91,170	**35,142**	34,805
Total	$ 645,318	$ 518,019	$ 13,678	$ 1,149,659	$ 433,980	$ 212,504	$ 13,678	$ 632,806	$ **516,853**	$ 211,338

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating		
Operating surplus	$ 151,158	$ 113,625
Depreciation	212,504	62,523
	363,662	176,148
Change in non-cash working capital (Note 11)	254,122	283,146
	617,784	459,294
Financing		
Increase in deferred revenue	311,542	
Increase in post retirement benefits	78,132	32,970
	389,674	32,970
Investing		
Purchase of capital assets	(518,019)	(207,214)
Net increase in cash and cash equivalents	489,439	285,050
Cash and cash equivalents (Note 13)		
Beginning of year	1,143,316	858,266
End of year	$ 1,632,755	$ 1,143,316

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Notes to the Financial Statements

March 31, 2007

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15 of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act* and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets

Assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on the following basis:

Furniture	straight line over 10 years
Computer equipment	straight line over 3 years
Computer software	straight line over 3 years
Equipment	straight line over 5 years
Vehicles	35% declining balance
Leaseholds	straight line over remaining term of lease

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2007

3. Summary of significant accounting policies (continued)

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenue is recognized on an accrual basis. Recoveries revenue is recognized as the related expenditures occur.

Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

4. Receivables

	2007	2006
Due from related parties, non-interest bearing, no set terms of repayment	$ 275,125	$ 88,349
Trade	989,035	621,087
	$ 1,264,160	$ 709,436

5. Financial Instruments

Credit facility

The Board has an authorized line of credit of $250,000 with interest payable monthly at a rate of prime plus 0.50%. As security, the Board has pledged certain accounts receivable. None of the line of credit is outstanding at March 31, 2007.

Credit risk management

The Board is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Board has adopted credit policies to monitor its accounts receivable.

Fair value of financial instruments

The Board's estimate of the fair value of cash and cash equivalents, accounts receivable, payables and accruals and due to related parties approximate their carrying value due to their short-term nature.

6. Pensions

Public service superannuation fund

Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses and totalled $215,613 (2006 - $139,162). The Board is not responsible for any unfunded liability.

Nova Scotia Utility and Review Board
Notes to the Financial Statements

March 31, 2007

7. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2007	2006
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

8. Post Retirement Benefits

The Board sponsors two defined benefits programs for retirement benefits, other than pensions, for substantially all of its employees. Public Service Awards are paid on similar conditions to those found in the *Civil Service Act* to employees retiring from service. In addition, the Board contributes 65% of the cost of medical plan premiums on behalf of retiring employees and their survivors. The Board is responsible for funding and eventual payment of these benefits. The Board may fund post retirement benefit obligations through a combination of cash, investments and other assets. The liability is fully funded as at March 31, 2007.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2005. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

Information about the post retirement obligations as at March 31, 2007 is as follows:

	2007	2006
Post retirement benefits liability		
Accrued benefit obligation, beginning of year	$ 792,270	$ 759,300
Retirement benefit service cost for the year	91,687	86,811
Interest on accrued benefit obligation	21,700	20,200
Benefits payment	(35,255)	(74,041)
Accrued benefit obligation, end of year	870,402	792,270
Funding of post retirement benefits		
Market value of assets, beginning of year	792,270	759,300
Contributions from the Board for the year	91,687	86,811
Interest paid from the Board	21,700	20,200
Benefits payments	(35,255)	(74,041)
Market value of assets, end of year	870,402	792,270
Net post retirement benefits liability, end of year	$ -	$ -

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2007

	2007	2006
Post retirement benefit expense		
Retirement benefit service cost for the year	$ 91,687	$ 86,811
Interest on accrued benefit obligation	21,700	20,200
	$ 113,387	$ 107,011

The retirement benefit expense is included in the Statement of Operations as a component of salaries, wages and benefits expense.

The significant assumptions adopted in measuring the Board's accrued benefit obligations are as follows:

Liability discount rate	3.00% per annum
Expected return on plan assets	3.00% per annum
Extended health care cost increases	0% increase for fiscal 2006 and 5% increase for fiscal 2007
	10.1% as at April 1, 2008; decreasing at 0.85% per annum to an ultimate rate of 4.5% per annum.
Rate of compensation increase	2.9% increase effective April 1, 2006. Thereafter 3.25 to 5.75% depending on age

9. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved. Expenses and recoveries relating to large hearings cannot be reasonably predicted or estimated in advance. Accordingly, no provision is made for these activities in the budget figures shown in the Statement of Operations.

The Board also recovers certain transcription, copying and other expenses from various sources.

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2007

10. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2014. The annual rent consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2008	$ 473,808
2009	473,808
2010	473,808
2011	473,808
2012	473,808
Subsequently	750,196
	$ 3,119,236

Approximately 1,326 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Complaints Commission.

11. Supplemental cash flow information

	2007	2006
Change in non-cash working capital		
Accounts receivable	$ (554,724)	$ 371,369
Inventory	666	1,502
Prepaid expenses	(4,930)	4,120
Service award advances	-	2,351
Payables, accruals and due to related parties	813,110	(96,196)
	$ 254,122	$ 283,146

12. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2007 Total	2006 Total
Deferred capital expenditures	$ 183,190	$ 56,310	$ **239,500**	$ 134,350
Capital assets	147,025	58,286	**205,311**	211,338
Working capital	100,211	29,789	**130,000**	350,000
	$ 430,426	$ 144,385	$ **574,811**	$ 695,688

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2007

13. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2007	2006
Cash on hand and balances with banks	$ 505,729	$ 59,616
Short-term investments	1,127,026	1,083,700
	$ 1,632,755	$ 1,143,316

Short term investments consist of a cashable GIC with an interest rate of 4.05%, maturing on June 1, 2007. $870,402 (2006 - $792,270) has been restricted to fund the post-retirement benefit obligation (Note 8).

14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating independently from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,326 square feet of the Board's premises on behalf of the Nova Scotia Police Complaints Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its duties pursuant to the *Liquor Control Act, Gaming Control Act* and *Theatre and Amusements Act* are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

Direct expenses incurred by the Board in relation to the regulation of retail gasoline pricing under the Petroleum Products Pricing Act are recovered from Service Nova Scotia.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2007	2006
Statement of Operations:		
Grant from the Province of Nova Scotia	$ 3,164,000	$ 3,087,000
Recoveries:		
Premises sublet to Province	33,507	25,149
Alcohol, gaming and amusements adjudicative costs	212,383	172,642
Service Nova Scotia petroleum product pricing mandate	220,768	-
Other revenue	297,235	-
Amortization of deferred revenue	164,458	-
Office supplies expense	8,850	9,879

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2007

	2007	2006
Balance Sheet:		
Receivables (Note 4)	**275,125**	88,349
Due to related parties	**566,643**	163,904
Advances for working capital (Note 7)	**125,000**	125,000
Deferred revenue	**311,542**	-
Surplus	**668,584**	557,094

The transactions were recorded at the exchange amount which was the agreed upon amount by the parties.

15. Capital Funding and Deferred Revenue

The Province of Nova Scotia contributes funding for minor capital purchases through its annual grant to the Board. Occasionally larger capital purchases are supported by separately identified additions to the grant. The Board received a total of $476,000 in such funding for the year for the Motor Carrier Division for acquisition of patrol vehicles and replacement of the computerized licensing system. This special funding has been deferred and will be amortized at the same rate as the related capital assets. Total amounts received from the Province are as follows:

	2007 Budget	2007 Actual	2006 Actual
Grant for operations	$ 3,164,000	$ 3,164,000	$ 3,087,000
Capital asset funding	100,000	476,000	-
	$ 3,264,000	$ 3,640,000	$ 3,087,000

Pictou County
health
Authority

Pictou County Health Authority
Financial Statements
March 31, 2007

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of Directors of the
Pictou County Health Authority

We have audited the statement of financial position of the **Pictou County Health Authority** as at March 31, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the **Pictou County Health Authority** as at March 31, 2007, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Truro, Nova Scotia
May 19, 2007

Grant Thornton LLP
Chartered Accountants

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Pictou County Health Authority
Statement of Financial Position
March 31, 2007

	Operating Fund	Capital Fund	Endowment Fund	**Total 2007**	Total 2006
Assets					
Current					
Cash and cash equivalents (Note 3)	$ 4,159,186	$ 56,755	$ 707,189	**$ 4,923,130**	$ 786,091
Receivables (Note 4)	2,111,584	739,568	-	**2,851,152**	6,558,323
Due from other funds	50,038	815,049	-	**865,087**	1,216,589
Inventories	324,560	-	-	**324,560**	341,929
Prepaids	357,685	-	-	**357,685**	275,573
	7,003,053	1,611,372	707,189	**9,321,614**	9,178,505
Other receivables (Note 5)	6,254,484	-	-	**6,254,484**	5,612,348
Capital assets (Note 6)	-	43,000,215	-	**43,000,215**	42,144,865
	$ 13,257,537	$ 44,611,587	$ 707,189	**$ 58,576,313**	$ 56,935,718
Liabilities					
Current					
Bank overdraft	$ -	$ -	$ -	**$ -**	$ 631,621
Payables and accruals (Note 7)	6,399,100	321,279	-	**6,720,379**	6,860,199
Due to other funds	815,049	-	50,038	**865,087**	1,216,589
Deferred revenue	1,331,674	1,020,093	-	**2,351,767**	1,689,484
	8,545,823	1,341,372	50,038	**9,937,233**	10,397,893
Retirement allowances and post-retirement benefits (Note 8)	4,497,407	-	-	**4,497,407**	4,019,462
	13,043,230	1,341,372	50,038	**14,434,640**	14,417,355
Fund balances (Page 4)					
Restricted	-	-	657,151	**657,151**	679,100
Unrestricted	214,307	-	-	**214,307**	(93,725)
Investment in capital assets	-	43,270,215	-	**43,270,215**	41,932,988
	214,307	43,270,215	657,151	**44,141,673**	42,518,363
	$ 13,257,537	$ 44,611,587	$ 707,189	**$ 58,576,313**	$ 56,935,718

Commitments (Note 11)

On Behalf of the Board

Chairman

Chief Executive Officer

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Operations - Operating Fund

Year Ended March 31	2007	2006
Revenues		
Nova Scotia Department of Health	$ 53,911,218	$ 52,277,057
Charges to MSI	3,032,122	3,060,638
Department of Veterans Affairs	2,197,412	1,860,222
In-patients	650,873	696,522
Out-patients	346,377	416,615
Rental income	267,102	286,954
Investment income	108,989	52,830
Laboratory	81,112	69,471
Project funding	32,379	37,362
Other income	147,402	159,018
	60,774,986	58,916,689
Expenses		
In-patient services	22,273,829	22,180,628
Ambulatory services	11,007,431	10,610,283
Diagnostic and therapeutic services	8,986,511	8,348,870
Support services	13,647,264	14,140,844
Community health services	3,202,269	2,542,279
Rental expenses	226,444	232,098
Research	33,967	30,362
Education and library	253,833	243,692
Increase in vacation pay accrual	50,763	127,653
Retirement allowance benefits	784,643	557,485
	60,466,954	59,014,194
Net operating position before deficit funding	308,032	(97,505)
Operating deficit funding from the Department of Health	-	1,236,254
Excess of revenue over expenses	$ 308,032	$ 1,138,749

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Changes in Fund Balances
Year Ended March 31, 2007

	Operating Fund	Capital Fund	Endowment Fund	Total 2007	Total 2006
Restricted					
Balance, beginning of year	$ -	$ -	$ 679,100	**$ 679,100**	$ 859,648
Excess of revenues over expenses	-	-	61,099	**61,099**	119,452
Transfer to Capital Fund	-	-	(83,048)	**(83,048)**	(300,000)
Balance, end of year	$ -	$ -	$ 657,151	**$ 657,151**	$ 679,100
Unrestricted					
Balance, beginning of year	$ (93,725)	$ 41,932,988	$ -	**$ 41,839,263**	$ 39,590,889
Excess of revenues over expenses	308,032	2,218	-	**310,250**	1,140,299
Capital asset funding					
Department of Health	-	2,482,064	-	**2,482,064**	1,854,170
Foundations	-	1,518,115	-	**1,518,115**	996,111
Auxiliary	-	77,178	-	**77,178**	51,881
Endowment	-	-	-	-	300,000
Trust	-	-	-	-	505,835
Other	-	47,803	-	**47,803**	54,866
Amortization	-	(2,790,151)	-	**(2,790,151)**	(2,654,788)
Balance, end of year	$ 214,307	$ 43,270,215	$ -	**$ 43,484,522**	$ 41,839,263

See accompanying notes to the financial statements

Pictou County Health Authority
Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Operating Fund	$ 308,032	$ 1,138,749
Excess of revenues over expenses - Capital Fund	2,218	1,550
Excess of revenues over expenses - Endowment Fund	61,099	119,452
	371,349	1,259,751
Change in non-cash working capital		
Receivables	3,707,171	(2,618,266)
Inventories	17,369	(21,680)
Prepaids	(82,112)	8,678
Other receivables	(164,191)	-
Payables and accruals	(139,820)	757,791
Deferred revenue	579,235	(1,249,390)
	4,289,001	(1,863,116)
Financing and investing		
Capital asset funding	4,125,160	3,462,863
Bank indebtedness	(631,621)	631,621
Purchase of capital assets	(3,645,501)	(3,714,848)
Cash derived from (applied to) financing activities	(151,962)	379,636
Net increase (decrease) in cash and cash equivalents	4,137,039	(1,483,480)
Cash and cash equivalents, beginning of year	786,091	2,269,571
Cash and cash equivalents, end of year	$ 4,923,130	$ 786,091

See accompanying notes to the financial statements

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

1. Nature of operations

Pictou County Health Authority operates health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital, and Addictions Services and also offers related community health services.

Pictou County Health Authority was formed by the *Health Authorities Act* of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

The Pictou County Health Authority is a registered charity under the *Income Tax Act* of Canada and therefore is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the health authority's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those reported.

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition

Pictou County Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

2. Summary of significant accounting policies (continued)

Inventories

Inventories are recorded at the lower of average cost or replacement value.

Capital assets

Assets purchased during the year are recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

Amortization on construction in progress is not recorded until the projects are completed.

Compensation accruals

Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and similar amounts.

Retirement allowances and post-retirement benefits

The authority accrues its retirement allowances obligation and the related costs, net of plan assets. The authority also accrues its obligation to cost share in certain benefit plans for retired employees. The cost of retirement allowances and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments.

Financial instruments

The health authority's financial instruments consist of cash, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the health authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximates their fair value unless otherwise noted.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

3. Restricted cash

The health authority has included in its cash and cash equivalents restricted cash totalling $39,872 (2006 - $38,625), held in trust on behalf of three employees' deferred salary arrangements. An offset liabilty is included in payables and accruals, and will be paid out in accordance with the terms and conditions of the arrangements.

4. Receivables

	Operating Fund	Capital Fund	**Total 2007**	Total 2006
Charges to MSI	$ 222,777	$ -	**$ 222,777**	$ 149,962
Foundation and Auxiliary	14,591	711,395	**725,986**	978,467
Harmonized sales tax	204,127	25,246	**229,373**	535,137
Veterans Affairs Canada	105,862	-	**105,862**	245,750
Other	514,701	-	**514,701**	712,762
	1,062,058	736,641	**1,798,699**	2,622,078
Nova Scotia Department of Health				
Construction and equipment	-	2,927	**2,927**	777,990
Final settlement and other	1,049,526	-	**1,049,526**	3,158,255
	1,049,526	2,927	**1,052,453**	3,936,245
	$ 2,111,584	$ 739,568	**$ 2,851,152**	$ 6,558,323

5. Other receivables

	Operating Fund	**Total 2007**	Total 2006
Nova Scotia Department of Health			
Vacation pay	$ 1,757,077	**$ 1,757,077**	$ 1,592,886
Retirement allowances	4,253,207	**4,253,207**	4,019,462
Post-retirement benefits	244,200	**244,200**	-
	$ 6,254,484	**$ 6,254,484**	$ 5,612,348

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

6. Capital assets

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 32,378	$ -	**$ 32,378**	$ 32,378
Land improvements	399,698	176,356	**223,342**	243,032
Buildings	53,618,942	17,670,394	**35,948,548**	36,459,144
Equipment	17,366,510	11,902,362	**5,464,148**	5,297,182
Equipment under capital lease	557,676	556,803	**873**	11,964
Construction in progress	1,330,926	-	**1,330,926**	101,165
	$ 73,306,130	$ 30,305,915	**$ 43,000,215**	$ 42,144,865

The Aberdeen Hospital Foundation and the Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The funding agreements specify that equipment purchased from monies provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2007	Total 2006
Trade	$ 3,804,050	$ 321,279	**$ 4,125,329**	$ 4,333,819
Vacation pay	2,595,050	-	**2,595,050**	2,526,380
	$ 6,399,100	$ 321,279	**$ 6,720,379**	$ 6,860,199

8. Retirement allowances and post-retirement benefits

Retirement allowances paid to employees upon retirement are actuarially determined. The Province of Nova Scotia contracts a third party to perform an actuarial valuation for all government departments, agencies and boards. The last actuarial valuation was conducted as at December 31, 2005.

As a result of contract settlements in 2007, certain employees are entitled to cost-sharing on health benefits following retirement. The Province of Nova Scotia contracted a third party to perform an actuarial valuation for the health authorities as at April 1, 2006.

The retirement allowance and post-retirement health benefit values are calculated by the Department of Finance for the health authority using the projected benefit method prorated on services as required under Section 3250 of the Public Sector Accounting Handbook. Experience gains and losses and assumption changes are amortized on a linear basis over the expected average remaining service life of 13 and 10 years. Annually, results along with values to record the liability and expenses are provided by the Department of Finance. The Department of Finance fully funds these liabilities, thus an offsetting receivable balance is recorded.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

8. Retirement allowances and post-retirement benefits (continued)

Information respecting the retirement allowances and post-retirement health benefits is as follows:

	Retirement Allowances	Health Benefits	**Total 2007**	Total 2006
Accrued benefit obligation				
Balance, beginning of year	$ 4,019,462	$ -	**$ 4,019,462**	$ 3,659,693
Current service cost	288,600	12,800	**301,400**	245,500
Plan amendment	-	218,600	**218,600**	-
Interest cost	216,500	12,800	**229,300**	241,700
Amortization of experience gains	35,343	-	**35,343**	44,496
Other adjustments	(78,284)	-	**(78,284)**	25,789
Benefits paid	(228,414)	-	**(228,414)**	(197,716)
Balance, end of year	$ 4,253,207	$ 244,200	**$ 4,497,407**	$ 4,019,462
Funded status - plan deficit	$ (4,293,086)	$ (244,200)	**$ (4,537,286)**	$ (4,366,784)
Unamortized net actuarial loss	39,879	-	**39,879**	347,322
Accrued benefit liability recognized	$ (4,253,207)	$ (244,200)	**$ (4,497,407)**	$ (4,019,462)

The health authority's net expense for the retirement allowances and benefits is as follows:

Retirement allowance expense	$ 540,443	$ 244,200	**$ 784,643**	$ 557,485

The following actuarial assumptions have been used in the determination of the accrued benefit obligations at March 31, 2007:

	Allowances	Benefits
Discount rate	5.70%	5.70%
Rate of compensation increase	3.15 - 5.15%	N/A
Termination rates	1.2 - 20%	0 - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement pension, and the remainder will retire on their normal retirement date, which is their 65th birthday. In calculating the post-retirement health benefits liability, it was further assumed that 70% of members will elect family coverage and that 95% of eligible employees will elect to participate.

Pictou County Health Authority
Notes to the Financial Statements
March 31, 2007

9. Pension plans

The health authority contributes to the following pension plans on behalf of its employees:

(i) a multi-employer defined benefit plan, administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees. The most recent actuarial valuation was conducted as at December 31, 2005 which indicated a funding surplus.

(ii) a defined benefit plan, administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2005 which indicated an unfunded liability. The Pictou County Health Authority bears no direct financial responsibility for the unfunded liability of the plan.

The health authority's pension expense for the year amounted to $2,129,809 (2006 - $1,814,924).

10. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling $1,000,000, all of which is unused at March 31, 2007.

11. Commitments

Pictou County Health Authority has entered into agreements to lease computer equipment. Minimum annual lease payments are as follows:

2008	$	31,144
2009	$	16,570
2010	$	4,117

12. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2007 are available from the individual financial statements of the related entities.

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ASSURANCE SERVICES

Financial Statements

Provincial Drug Distribution Program

March 31, 2007

ERNST & YOUNG

AUDITORS' REPORT

To the Board of Directors of
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2007 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PDDP as at March 31, 2007 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
May 23, 2007

Provincial Drug Distribution Program

STATEMENT OF FUND BALANCES

Year ended March 31
(in thousands)

	2007 $	2006 $
OPERATING FUND		
Balance, beginning of year	234	178
Net revenues over expenditures	197	56
Balance, end of year	431	234
INVESTMENT IN CAPITAL ASSETS		
Capital funding, beginning of year	69	93
Amortization	(25)	(24)
Balance, end of year	44	69

Provincial Drug Distribution Program

STATEMENT OF REVENUES AND EXPENDITURES

Year ended March 31
(in thousands)

	2007 $	2006 $
Operating		
Revenues ***[Schedule A]***	75,250	71,846
Expenditures ***[Schedule B]***	75,053	71,790
Net revenues over expenditures	197	56

Provincial Drug Distribution Program

STATEMENT OF CASH FLOW

Year ended March 31
(in thousands)

	2007 $	2006 $
OPERATING ACTIVITIES		
Net revenues over expenditures	197	56
Items not requiring cash		
Amortization	25	24
Amortization of capital fund	(25)	(24)
Changes in non-cash working capital items	839	1,325
Cash provided by operating activities	1,036	1,381
Cash, beginning of year	1,865	484
Cash, end of year	2,901	1,865

See accompanying notes

Provincial Drug Distribution Program

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

Fund accounting
The Provincial Drug Distribution Program maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of the PDDP related to the distribution of drugs.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Revenue recognition
The Provincial Drug Distribution Program uses the deferral method of accounting for contributions and revenue recognition. Revenue is recognized in the period in which the related expenses are incurred.

Operating Costs
These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

Capital Assets
Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

Provincial Drug Distribution Program

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

2. Significant Accounting Policies (cont'd)

Inventory
Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

Financial instruments
The organization's primary financial instruments consist of current receivables and payables. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments.

3. Accounts Receivable

(in thousands)	2007 $	2006 $
Customer receivables	6,004	7,247
Out-dated drugs receivable	100	248
	6,104	7,495

4. Due to Department of Finance

As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

5. Inventories

Included in inventory in the current year, is inventory at no cost held for the Department of Health.

Provincial Drug Distribution Program

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

6. Capital Assets

(in thousands)	2007 Cost $	2007 Accumulated Depreciation $	2006 Cost $	2006 Accumulated Depreciation $
Equipment	184	140	184	115
Less: accumulated depreciation	140		115	
	44		69	

7. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

8. Medbuy Rebates and Co-marketing Rebates

The Provincial Drug Distribution Program (PDDP) is a member of a national purchasing organization called Medbuy. Medbuy distributes both rebates and co-marketing monies on a quarterly basis to PDDP. The PDDP then distributes these rebates and co-marketing monies to each District Health Authority. The following shows distributions by year:

District Health Authority	2007 Rebates $	2007 Co-Marketing $	2006 Rebates $	2006 Co-Marketing $
DHA #1	45	—	58	3
DHA #2	57	—	71	7
DHA #3	68	—	77	8
DHA #4	41	—	48	6
DHA #5	38	—	31	4
DHA #6	44	—	44	6
DHA #7	42	—	57	5
DHA #8	188	—	205	28
DHA #9	1,100	—	519	109
IWK	45	—	48	8
	1,668	—	1,158	186

Provincial Drug Distribution Program **Schedule A**

SCHEDULE OF REVENUES

Year ended March 31
(in thousands)

	2007 $	2006 $
Drugs	74,629	71,278
Department of Health	300	320
Other	321	248
Amortization	25	24
	75,275	71,870
Less: Amortization	25	24
	75,250	71,846

Provincial Drug Distribution Program **Schedule B**

SCHEDULE OF EXPENDITURES

Year ended March 31
(in thousands)

	2007 $	2006 $
Drugs	74,188	70,904
Compensation	650	664
Fees	139	177
Plant maintenance supplies	13	20
Other	55	18
Amortization	25	24
Travel	8	7
	75,078	71,814
Less: Amortization	25	24
	75,053	71,790

Financial Statements of

PSS INVESTMENTS I INC.

Year ended December 31, 2006

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Shareholder of PSS Investments I Inc.

We have audited the balance sheet of PSS Investments I Inc. as at December 31, 2006 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada
February 23, 2007

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

PSS INVESTMENTS I INC.

Balance Sheet

December 31, 2006, with comparative figures for 2005

	2006	2005
Assets		
Income-producing properties (note 3)	$ 74,390,127	$ 67,631,121
Intangible assets (note 4)	11,928,464	13,604,900
Other assets (note 5)	790,551	657,374
Prepaid expenses	254,194	223,815
Accounts and other receivables	1,076,367	888,853
Cash	1,833,604	1,392,486
	$ 90,273,307	$ 84,398,549
Liabilities and Shareholder's Equity		
Mortgages payable (note 6)	$ 33,107,111	$ 23,545,914
Promissory note payable (note 7)	–	7,502,057
Intangible liabilities (note 8)	2,640,018	3,010,655
Security deposits and prepaid rent	260,419	211,791
Accounts payable and accrued liabilities	1,686,830	894,830
Shareholder's equity:		
Share capital (note 9)	58,391,599	52,729,000
Deficit	(5,812,670)	(3,495,698)
	52,578,929	49,233,302
	$ 90,273,307	$ 84,398,549

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

PSS INVESTMENTS I INC.

Statement of Operations and Deficit

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Property revenue	$ 10,063,360	$ 6,347,345
Property operating expenses	4,138,126	2,394,687
	5,925,234	3,952,658
Amortization	5,137,513	5,182,381
Interest	1,488,154	917,262
Loss from properties	(700,433)	(2,146,985)
Other expenses (income):		
Investment income	(30,162)	(11,759)
Administrative costs	63,164	48,054
Asset management fees (note 11)	402,642	259,380
Performance fees (note 11)	305,895	28,781
Loss for the year	(1,441,972)	(2,471,441)
Deficit, beginning of year	(3,495,698)	(604,257)
Dividends paid	(875,000)	(420,000)
Deficit, end of year	$ (5,812,670)	$ (3,495,698)

See accompanying notes to financial statements.

PSS INVESTMENTS I INC.

Statement of Cash Flows

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Operating activities:		
Loss for the year	$ (1,441,972)	$ (2,471,441)
Adjustments for:		
Amortization:		
Income-producing properties	1,786,723	1,084,358
Acquired in-place leases	3,350,790	4,098,023
Above and below market in-place leases, net	(406,197)	(246,137)
Deferred financing fees	9,655	1,854
Mortgage premium	(241,304)	(150,487)
Straight-line rent	(103,293)	(105,315)
	2,954,402	2,210,855
Change in the following:		
Deferred recoverable costs	(29,800)	36,993
Prepaid expenses	(30,379)	(135,593)
Accounts and other receivables	(84,221)	(679,346)
Security deposits and prepaid rent	48,628	175,032
Accounts payable and accrued liabilities	792,000	594,140
Cash flows from operating activities	3,650,630	2,202,081
Financing activities:		
Issuance of common shares	5,662,599	34,815,844
Dividends paid	(875,000)	(420,000)
Repayment of mortgages payable	(555,542)	(340,634)
Repayment of promissory note payable	(7,502,057)	–
Proceeds from mortgage financing	6,525,000	–
Proceeds from promissory note payable	–	99,557
Deferred financing fees	(113,033)	(20,222)
Cash flows from financing activities	3,141,967	34,134,545
Investing activities:		
Additions to income-producing properties	(1,672,146)	(269,972)
Purchase of income-producing properties net of related debt (note 3)	(4,679,333)	(35,056,981)
Cash flows used in investing activities	(6,351,479)	(35,326,953)
Increase in cash	441,118	1,009,673
Cash, beginning of year	1,392,486	382,813
Cash, end of year	$ 1,833,604	$ 1,392,486
Supplementary cash flow information:		
Interest paid	$ 1,834,210	$ 951,488

See accompanying notes to financial statements.

PSS INVESTMENTS I INC.

Notes to Financial Statements

Year ended December 31, 2006

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1. Operations/Organization:

PSS Investments I Inc. (the Company) was incorporated and registered June 6, 2003 under the *Nova Scotia Companies Act* by the Minister of Finance for the Province of Nova Scotia, as trustee of The Nova Scotia Public Service Superannuation Fund.

The Company shall limit its activities to:

(i) acquiring, holding, maintaining, improving, leasing or managing capital property (as construed for the purposes of the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supplement), as amended from time to time in the *Income Tax Act*) that is real property or an interest in real property owned by the Company, another corporation, described by subparagraphs 149(1)(o.2)(ii) and 149(1)(o.2)(iv) of the *Income Tax Act*, or a pension plan registered with the Minister of National Revenue pursuant to the *Income Tax Act*; and

(ii) investing its funds in a partnership that limits its activities to acquiring, holding, maintaining, improving, leasing and/or managing capital property as construed for the purposes of the *Income Tax Act* that is real property or an interest in real property owned by the partnership.

The Company cannot make investments other than in real property, interest therein or investments that a pension plan is permitted to make under the *Pension Benefits Standards Act*, 1985 or a similar law of a province.

The Company cannot borrow money other than for the sole purpose of earning income from real property or an interest therein.

The Company is under the management of GWL Realty Advisors Inc. (GWLRA), a wholly-owned subsidiary of The Great-West Life Assurance Company, by way of management agreements between GWLRA and the Company.

2. Significant accounting policies:

(a) Income-producing properties:

Income-producing properties are carried at cost less accumulated amortization. Amortization on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Building improvement costs are deferred and amortized on a straight-line basis over a 10 year period. Tenant inducements include leasing commissions, tenant improvements, and legal costs incurred to negotiate and execute lease agreements and are deferred and amortized on a straight-line basis over the term of the related tenant lease.

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

---

2. Significant accounting policies (continued):

The Company capitalizes all direct costs relating to the acquisition of properties. For properties under development, initial acquisition costs, other direct costs, property taxes, initial leasing costs, incidental operating revenues and expenses and certain indirect costs and property taxes are capitalized during development.

(b) Acquisition of income-producing properties:

The purchase price of income-producing properties is allocated based on estimated fair values to land, building, tenant improvements and intangible assets including the value of above and below market leases, the in-place leases and tenant relationships, if any.

The values of tenant improvements, above and below market leases, in-place leases and tenant relationships are amortized over the term of the lease agreements and non-cancelable renewal periods, where applicable. In the event a tenant vacates its leased space prior to the contractual termination of the lease and rental payments are not being made, any unamortized balance of the intangible asset or liability will be written-off.

(c) Intangible assets:

Intangible assets consist of acquired in-place leases [note 2(b)], and the above market in-place leases [note 2(b)].

(d) Other assets:

Deferred recoverable costs consist of capital expenditures which are recoverable from tenants, are recorded at cost and amortized on a straight-line basis ranging up to a ten year period.

Deferred financing fees represent costs such as CMHC premiums, legal fees, and application fees incurred to obtain mortgage financing and are amortized over the life of the applicable mortgage.

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

---

2. Significant accounting policies (continued):

(e) Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicates that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with the expected future net undiscounted cash flows from its use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

(f) Asset retirement obligation:

The fair value of a future asset retirement obligation is recognized as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets is incurred that results from the acquisition, construction, development, and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation, if any, is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate.

(g) Revenue recognition:

Property revenue includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods are recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

(h) Co-ownership interest:

The Company records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Company has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Income-producing properties:

The carrying value of the income-producing properties is comprised of:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 14,048,855	$ –	$ 14,048,855	$ 12,018,475
Building and building improvements	59,405,530	2,658,682	56,746,848	53,549,054
Tenant improvements	3,004,627	589,535	2,415,092	1,996,985
Tenant inducements	1,212,060	32,728	1,179,332	66,607
	$ 77,671,072	$ 3,280,945	$ 74,390,127	$ 67,631,121

The income-producing properties balance represents co-ownership interests acquired by the Company as disclosed in note 13.

During fiscal 2006, as disclosed in note 13, the Company acquired two 45 percent co-ownership interests in income-producing properties. Acquisition of co-ownership interests in income-producing properties in fiscal 2005, are as disclosed in note 13. These acquisitions have been accounted for by the purchase method with the results of operations included in the Company's accounts from the date of acquisitions.

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

3. Income-producing properties (continued):

The net assets acquired during the year were as follows:

	2006	2005
Land	$ 1,800,000	$ 8,917,272
Buildings	4,322,827	38,010,687
Tenant improvements	750,755	1,786,920
Acquired in-place leases	1,804,261	14,520,759
Above market in-place leases	1,147	387,286
Below market in-place leases	(166,614)	(3,235,503)
	8,512,376	60,387,421
Deferred recoverable costs acquired on acquisitions	–	667,258
	8,512,376	61,054,679
Less:		
New or assumed mortgages	(3,642,466)	(17,340,887)
Premium on mortgages assumed	(190,577)	(1,254,311)
Promissory note payable	–	(7,402,500)
	(3,833,043)	(25,997,698)
Net assets acquired, satisfied by cash consideration	$ 4,679,333	$ 35,056,981

4. Intangible assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Acquired in-place leases	$ 19,820,005	$ 8,209,276	$ 11,610,729	$ 13,157,259
Above market in-place leases	593,471	275,736	317,735	447,641
	$ 20,413,476	$ 8,485,012	$ 11,928,464	$ 13,604,900

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

5. Other assets:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Deferred recoverable costs	$ 905,700	$ 236,894	$ 668,806	$ 639,006
Deferred financing fees	133,254	11,509	121,745	18,368
	$ 1,038,954	$ 248,403	$ 790,551	$ 657,374

6. Mortgages payable:

Mortgages payable are comprised of:

	2006	2005
Principal	$ 31,673,812	$ 22,061,889
Unamortized premium	1,433,299	1,484,025
	$ 33,107,111	$ 23,545,914

Mortgages payable bear interest at a weighted average rate of 6.26 percent (2005 - 6.45 percent) and are due at various dates to 2018.

Mortgages on income-producing properties assumed on acquisitions are adjusted to fair value using the market interest rate at the time of acquisition. The resulting premium or discount is amortized to interest expense over the remaining life of the mortgage. For the acquisitions to December 31, 2006, a premium aggregating $1,853,835 (2005 - $1,711,101) was recorded on acquisition with the unamortized premium at December 31, 2006 aggregating $1,433,299 (2005 - $1,484,025).

Principal payments are due as follows:

2007	$ 3,347,612
2008	633,523
2009	5,300,970
2010	334,823
2011	9,594,892
Thereafter	12,461,992
	$ 31,673,812

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

7. Promissory note payable:

During fiscal 2005, the Company entered into a 4.93 percent promissory note payable on demand with its shareholder as bridge financing on a certain commercial property. The promissory note was repaid on April 11, 2006 through proceeds obtained from mortgage financing on the commercial property. Interest of $101,412 (2005 - $99,557) was incurred by the Company during the year ended December 31, 2006 on the promissory note.

8. Intangible liabilities:

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Below market in-place leases	$ 3,577,570	$ 937,552	$ 2,640,018	$ 3,010,655

9. Share capital:

The authorized capital of the Company is 100,000 common shares without nominal or par value, with power to divide the shares into several classes and/or to attach thereto respectively any preferential, common deferred, or qualified rights, privileges or conditions, including restrictions on voting and including redemption or purchase of such shares, subject, however, to the provisions of the *Companies Act* and amendments thereto. Shares may be issued only to registered Canadian pension funds or other investors permitted under Section 149(1)(o.2) of the *Income Tax Act*. The sale, transfer or disposition of shares is restricted.

	2006		2005	
Issued	Number of shares	Amount	Number of shares	Amount
Share capital, beginning of year	700	$ 52,729,000	300	$ 17,913,156
Cash contributed as capital during the year	300	5,662,599	400	34,815,844
Share capital, end of year	1,000	$ 58,391,599	700	$ 52,729,000

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

10. Financial instruments:

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Company manages its financial risks as follows:

(a) Interest rate risk:

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

(b) Credit risk:

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The company mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

(c) Fair value:

The Company has the following financial instruments: accounts and other receivables, cash, mortgages payable, promissory note payable and accounts payable and accrued liabilities. The carrying values of the accounts and other receivables, cash, promissory note payable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities.

The fair value of the mortgages payable was approximately $33,305,000 (2005 - $23,778,000) at December 31, 2006 compared to a carrying value of $33,107,111 (2005 - $23,545,914). Fair value has been calculated using the future cash flows of the mortgages payable, discounted at current market rates available to the Company for the same or similar instruments.

11. Advisor and property managers:

The Company has management agreements with GWLRA, under which GWLRA is responsible for the acquisition, development, disposal and management of real estate properties and performance of all administrative and clerical functions on behalf of the Company. GWLRA has also engaged third parties to manage and operate all of the multi-residential properties. Fees are charged to the property on the balance sheet or to property operating expenses, asset management or performance fees in the statement of operations as applicable.

PSS INVESTMENTS I INC.

Notes to Financial Statements (continued)

Year ended December 31, 2006

11. Advisor and property managers (continued):

The following fees were incurred for the above services:

	2006	2005
Asset management fees	$ 402,642	$ 259,380
Performance fees	305,895	28,781
Property management fees	206,124	128,034
Acquisition fees	42,548	293,175
Leasing fees	88,541	13,519
Financing fees	16,313	14,063
Project fees	16,371	5,469
GWLRA fees	1,078,434	742,421
Property management fees - third party	94,236	70,672
Leasing fees – third party	151,802	28,717
	$ 1,324,472	$ 841,810

12. Income taxes:

The Company conducts its affairs so as to qualify as a tax exempt corporation under Section 149(1)(o.2) of the *Income Tax Act* (Canada). Accordingly, no provision for income taxes has been made in these financial statements.

13. Other Information:

Property name	% Share	Cost	Acquisition date	Appraisal date	Value
7070 Mississauga Road	22.5	$ 7,655,782	01-Aug-03	01-Jul-06	$ 8,775,000
1730 St. Laurent Blvd.	45.0	8,162,308	01-Jun-04	01-Jun-06	7,785,000
Garrison Watch	45.0	5,480,219	30-Jun-04	01-Jun-06	6,084,000
Harbour Ridge	45.0	2,476,456	30-Jun-04	01-Jun-06	2,529,000
525 Richmond Street West	45.0	9,634,212	24-Feb-05	01-Feb-06	9,855,000
Le Demetrius (1445 Stanley St)	45.0	9,630,170	28-Jun-05	01-Jun-06	10,170,000
Purdy's Wharf	15.0	19,789,129	28-Jul-05	01-Jul-06	20,925,000
First Canadian Centre	11.2	21,113,446	23-Sept-05	01-Sep-06	23,568,750

During fiscal 2006, the Company acquired two 45 percent co-ownership interests on December 28, 2006 in income-producing properties. The aggregate purchase price for the Company's interest in the income-producing properties was $8,512,376.

A 22.5 percent interest in a parcel of land adjacent to 7070 Mississauga Road was acquired on September 22, 2006 for $230,379 and is included in additions to income-producing properties.

Financial Statements of

PSS INVESTMENTS II INC.

December 31, 2006

Deloitte

Deloitte & Touche LLP
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Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

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Auditors' Report

To the Shareholder of
PSS Investments II Inc.

We have audited the balance sheet and the statement of real property investments of PSS Investments II Inc. as at December 31, 2006 and the statements of operations and (deficit) retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's Advisor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Advisor, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
February 19, 2007

PSS INVESTMENTS II INC.
Balance Sheet
December 31, 2006

	2006	2005
ASSETS		
Real property investments		
Real properties (Note 3)	$ 64,136,032	$ 34,535,233
Deferred charges (Note 4)	4,837,335	3,215,709
	68,973,367	37,750,942
Cash and cash equivalents	821,258	681,505
Accounts receivable	643,785	437,384
Prepaid expenses and other assets	264,022	196,810
	$ 70,702,432	$ 39,066,641
LIABILITIES		
Mortgages payable (Note 5)	$ 20,223,393	$ 12,102,424
Accounts payable and accrued liabilities	1,588,188	761,347
	21,811,581	12,863,771
SHAREHOLDER'S EQUITY		
Share capital (Note 7)	49,496,268	25,918,713
(Deficit) retained earnings	(605,417)	284,157
	48,890,851	26,202,870
	$ 70,702,432	$ 39,066,641

APPROVED BY THE BOARD

....Director

....Director

PSS INVESTMENTS II INC.
Statement of Real Property Investments
December 31, 2006

	2006	2005
45% co-ownership interest - Summit Centre		
75th Street and Roper Road, Edmonton, Alberta, purchased January, 2004		
Land	$ 2,968,875	$ 2,968,875
Building (net of accumulated depreciation of $689,475; 2005 - $453,656)	8,725,300	8,915,105
Deferred charges (net of accumulated amortization of $658,518; 2005 - $344,667)	1,241,211	1,523,913
	12,935,386	13,407,893
45% co-ownership interest - Princess Auto Building		
2850 Hopewell Place NE, Calgary, Alberta, purchased March, 2004		
Land	523,800	523,800
Building (net of accumulated depreciation of $68,979; 2005 - $44,634)	904,845	929,190
Deferred charges (net of accumulated amortization of $42,991; 2005 - $27,818)	182,078	197,252
	1,610,723	1,650,242
45% co-ownership interest - Mice Kadoke Building		
6225 Edwards Blvd, Mississauga, Ontario, purchased August, 2004		
Land	1,419,863	1,419,863
Building (net of accumulated depreciation of $188,758; 2005 - $107,862)	3,047,101	3,127,997
Deferred charges (net of accumulated amortization of $97,684; 2005 - $55,820)	544,241	586,105
	5,011,205	5,133,965
45% co-ownership interest - Richview Square		
250 Wincott Drive, Toronto, Ontario, purchased October, 2005		
Land	5,266,800	5,266,800
Building (net of accumulated depreciation of $225,490; 2005 - $32,187)	7,506,591	7,692,761
Deferred charges (net of accumulated amortization of $299,073; 2005 - $61,515)	404,806	625,306
	13,178,197	13,584,867
45% co-ownership interest - Summit Building B		
75th Street and Roper Road, Edmonton, Alberta, purchased December, 2005		
Land	660,375	660,375
Building (net of accumulated depreciation of $75,838; 2005 - $173)	2,950,765	3,030,467
Deferred charges (net of accumulated amortization of $94,534; 2005 - $1,548)	502,992	283,133
	4,114,132	3,973,975
45% co-ownership interest - Canpar Building		
205 New Toronto Road, Ontario, Ontario, purchased March, 2006		
Land	2,782,521	-
Building (net of accumulated depreciation of $137,866)	7,214,968	-
Deferred charges (net of accumulated amortization of $16,048)	411,901	-
	10,409,390	-
45% co-ownership interest - Andre Building		
2900 Andre Avenue, Montreal, Quebec, purchased May, 2006		
Land	648,000	-
Building (net of accumulated depreciation of $36,295)	2,353,408	-
Deferred charges (net of accumulated amortization of $61,054)	201,148	-
	3,202,556	-

PSS INVESTMENTS II INC.

Statement of Real Property Investments (continued)

December 31, 2006

	2006	2005
45% co-ownership interest - Labrosse Building		
160 Labrosse, Montreal, Quebec, purchased May, 2006		
Land	$ 742,500	$ -
Building (net of accumulated depreciation of $17,104)	1,109,055	-
Deferred charges (net of accumulated amortization of $13,957)	202,930	-
	2,054,485	-
45% co-ownership interest - Brunswick Building		
77 Brunswick, Montreal, Quebec, purchased May, 2006		
Land	702,000	-
Building (net of accumulated depreciation of $19,232)	1,247,019	-
Deferred charges (net of accumulated amortization of $22,270)	142,872	-
	2,091,892	-
45% co-ownership interest - Thimens Building		
5151-5171 Thimens Blvd, Montreal, Quebec, purchased October, 2006		
Land	2,011,500	-
Building (net of accumulated depreciation of $51,678)	8,216,802	-
Deferred charges (net of accumulated amortization of $20,284)	791,067	-
	11,019,369	-
45% co-ownership interest - Statesman Building		
195 Statesman Street, Mississauga, Ontario, purchased October, 2006		
Land	1,004,850	-
Building (net of accumulated depreciation of $13,391)	2,129,094	-
Deferred charges (net of accumulated amortization of $5,438)	212,089	-
	3,346,033	-
SUMMARIZED AS FOLLOWS:		
Land	18,731,084	10,839,713
Building (net of accumulated depreciation of $1,524,106; 2005 - $638,512)	45,404,948	23,695,520
Deferred charges (net of accumulated amortization of $1,331,851; 2005 - $491,368)	4,837,335	3,215,709
	$ 68,973,367	$ 37,750,942

PSS INVESTMENTS II INC.

Statement of Operations and (Deficit) Retained Earnings

Year Ended December 31, 2006

	2006	2005
Income from investments		
Real property rental income	$ 5,461,687	$ 2,263,597
Property expenses		
Operating	1,034,076	361,760
Mortgage interest	880,999	399,482
Depreciation of real properties	885,594	372,211
Amortization of deferred charges	840,483	325,156
Real property net rental income	1,820,535	804,988
Interest income	25,551	11,681
	1,846,086	816,669
Expenses		
Asset management fee (Note 6)	291,928	115,322
Performance fee (Note 6)	515,891	101,636
Audit and legal fees	22,902	36,882
Appraisal fees	6,736	5,021
Other	16,459	24,752
	853,916	283,613
Net income	992,170	533,056
Dividends	(1,881,744)	(603,788)
Retained earnings, beginning of year	284,157	354,889
(Deficit) retained earnings, end of year	$ (605,417)	$ 284,157

PSS INVESTMENTS II INC.

Statement of Cash Flows

Year ended December 31, 2006

	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Net income for the year	$ 992,170	$ 533,056
Non-cash items:		
Deferred rent	(1,776)	(169,986)
Depreciation of real properties	885,594	372,211
Amortization of deferred charges	840,483	325,156
Amortization of deferred financing costs	12,112	8,170
Deferred leasing costs	(362,966)	(818,325)
Net change in operating working capital	612,850	189,251
	2,978,467	439,533
Investing		
Acquisition of real property investments	(32,536,429)	(17,654,265)
Additions to real property investments	(49,107)	(606,853)
	(32,585,536)	(18,261,118)
Financing		
Capital contributions	23,577,555	12,880,561
Mortgage financing	9,728,823	5,850,000
Repayment of mortgage	(1,350,000)	-
Mortgage principal repayments	(257,854)	(126,117)
Dividends	(1,881,744)	(603,788)
Deferred financing costs	(69,958)	(30,819)
	29,746,822	17,969,837
Increase in cash and cash equivalents during year	139,753	148,252
Cash and cash equivalents, beginning of year	681,505	533,253
Cash and cash equivalents, end of year	$ 821,258	$ 681,505
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash	$ 407,816	$ 539,352
Cash held in trust	413,442	142,153
	$ 821,258	$ 681,505
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest paid in cash	$ 803,253	$ 405,519

PSS INVESTMENTS II INC.
Notes to the Financial Statements
December 31, 2006

1. FORMATION

PSS Investments II Inc. (the "Corporation") was incorporated under the laws of the Province of Nova Scotia on June 6, 2003 for the purpose of investing in real property, and is owned by pension funds which are registered pension plans in accordance with the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant policies are as follows:

Cash and cash equivalents

Cash and cash equivalents is comprised of balances on deposit with financial institutions and amounts held in trust.

Real property investments

Real properties are stated at cost less accumulated depreciation. Real properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of real properties is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of a real property exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Real properties to be disposed of are reported at the lower of carrying amount and fair value less costs to sell.

Acquisition costs are capitalized as part of the cost of real properties.

The Corporation allocates the purchase price of real property to land, building, tenant improvements, and intangibles, such as the value of above-market and below-market leases, lease origination costs and customer relationships, if any.

The above-market and below-market in-place lease values for acquired properties are determined based on the present value of the difference between the contractual base rentals under the lease and fair market lease rates for similar in-place leases, measured from the date of acquisition to the end of the remaining lease term. The value of in-place leases is amortized over the remaining term of the associated leases.

Buildings are depreciated on a straight-line basis over forty years.

Deferred leasing costs

Leasing costs, including tenant inducements and leasing commissions incurred plus tenant inducements and lease origination costs acquired upon the purchase of real properties, are deferred and amortized on a straight-line basis over the term of the related leases.

PSS INVESTMENTS II INC.
Notes to the Financial Statements
December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Co-ownerships

The Corporation records its proportionate share of assets, liabilities, income and expenses of co-ownerships in which it participates. In general, the Corporation has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

Revenue recognition

Real property rental income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent free periods is recognized on a straight-line basis over the term of the lease. The difference between the rental income recognized and the amounts contractually due under the lease agreements are recorded as deferred rent receivable and are included in accounts receivable. Recoverable operating expenses are recognized in revenue in the period in which applicable expenses are incurred.

Deferred financing costs

Financing costs incurred, including financing fees to the Advisor, are deferred and amortized over the term of the related debt. The unamortized balance is included in prepaid expenses and other assets.

Income taxes

The Corporation conducts its affairs in order to qualify as a tax-exempt corporation under Section 149(1)(o.1) of the Income Tax Act (Canada).

Advisor's fees

The Corporation has entered into an advisory agreement with Roycom Inc. (the "Advisor"), whereby the Advisor is to provide investment advice and administrative services. The Advisor receives fees of 0.5% of real property cost on acquisitions, 0.5% of the real property sale proceeds on disposition, a financing fee of 0.25% of the principal amount of any mortgage financing, refinancing or renewal and a monthly asset management fee of 4.5% of net operating income provided that the minimum asset management fee shall not be less than 0.5% of the weighted monthly average of the appraised value of all the properties in any calendar year.

The Advisor also shall receive an annual performance fee equal to 10% of the amount by which the total net return exceeds the performance objective for the core portfolio multiplied by the appraised value of the core portfolio and 20% of the amount by which the total net return exceeds a rate of return that is 3% greater than the performance objective of the value-added portfolio multiplied by the appraised value of the value-added portfolio.

PSS INVESTMENTS II INC.

Notes to the Financial Statements

December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas of judgment and estimation include the depreciation periods for real property and the allocation of purchase costs on the acquisition of real properties. Actual results could differ from those estimates.

3. REAL PROPERTIES

	2006	2005
Land	**$ 18,731,084**	$ 10,839,713
Building	**46,929,054**	24,334,032
Accumulated depreciation	**(1,524,106)**	(638,512)
	$ 64,136,032	$ 34,535,233

4. DEFERRED CHARGES

	2006	2005
Deferred leasing costs	**$ 1,486,192**	$ 1,123,227
Deferred leasing costs on acquisition of real properties	**4,682,994**	2,583,850
Accumulated amortization	**(1,331,851)**	(491,368)
	$ 4,837,335	$ 3,215,709

PSS INVESTMENTS II INC.
Notes to the Financial Statements
December 31, 2006

5. MORTGAGES PAYABLE

	2006	2005
45%, co-ownership interest - Summit Centre, Edmonton, Alberta		
First mortgage repayable in blended monthly payments of principal and interest of $28,828, at a rate of 5.907%, due July 1, 2014 to OMERS.	$ 4,336,063	$ 4,426,097
45%, co-ownership interest - Mice Kadoke Building, Mississauga, Ontario		
First mortgage, repayable in blended monthly payments of principal and interest of $11,227, at a rate of 5.341%, due January 1, 2015 to OMERS.	1,794,911	1,833,711
45%, co-ownership interest - Richview Square, Toronto, Ontario		
First mortgage, repayable in blended monthly payments of principal and interest of $26,713, at a rate of 5.21%, due November 1, 2015 to CIBC Mortgage Inc.	4,401,496	4,492,616
45%, co-ownership interest - Summit Building B, Edmonton, Alberta		
Promissory note, interest only. Repaid during the year.	-	1,350,000
45%, co-ownership interest - Canpar Building, Toronto, Ontario		
First mortgage, repayable in blended monthly payments of principal and interest of $18,392, at a rate of 5.04% due November 1, 2016 to CIBC Mortgage Inc.	3,144,701	-
45%, co-ownership interest - Andre Building, Montreal, Quebec		
First mortgage, repayable in blended monthly payments of principal and interest of $4,380, at a rate of 5.29% due June 16, 2016 to CIBC Mortgage Inc.	724,982	-

PSS INVESTMENTS II INC.
Notes to the Financial Statements
December 31, 2006

5. MORTGAGES PAYABLE (continued)

	2006	2005
45%, co-ownership interest - Labrosse Building, Montreal, Quebec		
First mortgage repayable in blended monthly payments of principal and interest of $4,190, at a rate of 5.36%, due June 1, 2016 to CIBC Mortgage Inc.	$ 688,980	$ -
45%, co-ownership interest - Brunswick Building, Montreal Quebec		
First mortgage, repayable in blended monthly payments of principal and interest of $4,365, at a rate of 5.4%, due May 1, 2008 to Standard Life	632,260	-
45%, co-ownership interest - Thimens Building, Montreal, Quebec		
Promissory note, interest only at a rate of 5.29%.	4,500,000	-
	$ 20,223,393	$ 12,102,424

Principal payments required in each of the next five fiscal years are as follows:

2007	$ 345,805
2008	957,816
2009	363,520
2010	383,447
2011	404,471
	$2,455,059

6. TRANSACTIONS WITH ADVISOR

Included in expenses are advisory fees paid pursuant to the advisory agreement of $291,928 (2005 - $115,322) for asset management fees and $515,891 (2005 - $101,636) for performance fees. Amounts paid pursuant to the advisory agreement that were capitalized include $157,571 (2005 - $85,365) for acquisition fees, $13,072 (2005 - $11,250) for financing fees and $22,500 (2005 - $33,817) for leasing fees.

PSS INVESTMENTS II INC.

Notes to the Financial Statements

December 31, 2006

7. SHARE CAPITAL

	2006	2005
Authorized:		
Unlimited number of common shares		
Issued:		
49,496,268 (2005 - 25,918,713) common shares	**$ 49,496,268**	$ 25,918,713

Capital contributions of $23,577,555 were received during the year for 23,577,555 common shares to finance the acquisitions of the following buildings: Canpar, Andre, Brunswick, Labrosse, Thimens and Statesman.

8. FINANCIAL INSTRUMENTS

Financial risk is the risk to earnings arising from fluctuations in interest rates, the degree of volatility in these rates and the credit quality of tenants. The Corporation manages its financial risks as follows:

Interest rate risk

Interest rate risk is minimized as mortgages are substantially financed at fixed rates, thereby mitigating exposure to interest rate fluctuations.

Credit risk

Credit risk arises with the uncertainties of predicting the financial difficulties tenants may experience which could cause them to be unable to fulfill their lease commitments. The Corporation mitigates this risk by having a diversified mix of tenants thereby limiting the exposure to a single tenant. Furthermore, credit assessments are conducted in respect to new leasing.

Fair value

Fair values of financial instruments approximate amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instrument.

When available, public market information is used to express the fair value. When such information is not readily available, fair value is estimated using present value techniques and assumptions concerning the amount and timing of expected future cash flows and discount rates which reflect the appropriate level of risk for the instrument.

Accounts receivable, prepaid expenses and other assets, and accounts payable and accrued liabilities have fair values that approximate their carrying amounts due to their short-term nature.

Fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2006 market rates for debt of similar corresponding terms and risk. Based on these assumptions, the fair value of mortgages payable at December 31, 2006 has been estimated as $20,350,000 (2005 - $10,600,000).

PSS INVESTMENTS II INC.
Notes to the Financial Statements
December 31, 2006

9. APPRAISED VALUE

The properties are appraised on the anniversary date of their acquisition date. The Corporation's 45% interests in the appraised properties are as follows:

Property	Appraisal Date	Appraisal Value
Summit Centre	January 2006	$ 16,402,500
Princess Auto Building	March 2006	2,103,750
Mice Kadoke Building	August 2006	6,457,500
Richview Square	October 2006	14,220,000
Summit Building B	December 2006	5,400,000

10. SUBSEQUENT EVENT

On February 15, 2007, the Fund was advanced approximately $4.5 million for the mortgage on the Thimens Building. The mortgage bears interest at 5.16%, repayable in blended monthly payments of principal and interest of $26,584 due February 15, 2017.

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Financial Statements
(Unaudited)
March 31, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
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July 19, 2007

Review Engagement Report

To the Board of Trustees of
The Public Archives of Nova Scotia

We have reviewed the statement of financial position of the **Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia** (the "Archives") as at March 31, 2007 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Statement of Financial Position

(Unaudited)

As at March 31, 2007

	Endowment Fund, $	Archival Ancillary Fund $	2007 Total $	2006 Total $
Assets				
Current assets				
Cash	–	54,718	54,718	38,039
Marketable securities, at cost (market value $29,693, 2006 – $29,022)	29,693	–	29,693	29,022
Amount held in trust by Province of Nova Scotia	49,244	–	49,244	53,750
	78,937	54,718	133,655	120,811
Equipment (note 3)	–	30,550	30,550	27,462
	78,937	85,268	164,205	148,273
Liabilities				
Current liabilities				
Amounts payable and accrued liabilities	–	10,172	10,172	3,459
Deferred revenue	–	–	–	8,548
	–	10,172	10,172	12,007
Deferred contributions (note 4)	–	3,395	3,395	3,819
	–	13,567	13,567	15,826
Net assets				
Endowments	78,937	–	78,937	82,772
Investment in equipment	–	27,155	27,155	23,643
Unrestricted	–	44,546	44,546	26,032
	78,937	71,701	150,638	132,447
	78,937	85,268	164,205	148,273

Approved by the Board of Trustees

________________________ Chair ________________________ Vice Chair

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Statement of Changes in Net Assets

(Unaudited)

For the year ended March 31, 2007

	Endowment Funds $	Investment in equipment $	Archival Ancillary Fund $	2007 Total $	2006 Total $
Net assets – Beginning of year	82,772	23,643	26,032	132,447	141,738
Transfer of funds for the acquisition of equipment	–	12,354	(12,354)	–	–
Excess of revenue over expenditures (expenditures over revenue) for the year	(3,835)	(8,842)	30,868	18,191	(9,291)
Net assets – End of year	78,937	27,155	44,546	150,638	132,447

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Statement of Revenue and Expenditures

(Unaudited)

For the year ended March 31, 2007

	Endowment Funds $	Archival Ancillary Fund $	2007 Total $	2006 Total $
Revenue				
Reprographic and other recoveries	–	42,971	42,971	34,580
Funding for special collections maintenance	–	77,633	77,633	97,683
Transfer from Endowment Fund	–	–	–	8,203
Interest	2,815	1,204	4,019	2,227
Amortization of deferred contributions	–	424	424	424
Other income	–	3,000	3,000	3,000
	2,815	125,232	128,047	146,117
Expenditures				
Amortization	–	9,266	9,266	11,368
Conferences and seminars	–	4,440	4,440	861
Equipment repairs and maintenance	–	–	–	2,238
General operating	–	4,577	4,577	1,896
Membership dues	–	751	751	300
Professional services	–	3,000	3,000	3,000
Special collections maintenance	–	74,347	74,347	108,116
Subscriptions and periodicals	6,650	1,978	8,628	13,225
Transfer to Archival Ancillary Fund	–	–	–	8,203
Travel	–	4,847	4,847	6,201
	6,650	103,206	109,856	155,408
Excess of revenue over expenditures (expenditures over revenue) for the year	(3,835)	22,026	18,191	(9,291)

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Notes to Financial Statements
(Unaudited)
For the year ended March 31, 2007

1 Status and nature of activities

The Public Archives of Nova Scotia (the "Archives"), a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province of Nova Scotia. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

2 Significant accounting policies

The accounting policies of the Archival Ancillary and Trust Funds of the Archives (the "Trust Funds") are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Fund accounting

The Trust Funds uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Funds, accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Notes to Financial Statements
(Unaudited)
For the year ended March 31, 2007

2 Significant accounting policies (continued)

Revenue recognition

The Trust Funds follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

Equipment

Purchased equipment is recorded at cost. When an asset no longer contributes to the Trust Funds' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the straight-line method over the following years:

Computer software	10 years
Computer and microfilm equipment	5 years
Furniture and other office equipment	10 years

Deferred contributions related to equipment are amortized to income on the same basis that the assets to which they relate are amortized.

Statement of cash flows

A statement of cash flows has not been included with these financial statements as it would provide no additional meaningful information.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and cash flows of the Trust Funds during the year. Actual results could differ from these estimates.

Archival Ancillary and Trust Funds of the Public Archives of Nova Scotia

Notes to Financial Statements
(Unaudited)
For the year ended March 31, 2007

3 Equipment

			2007	2006
	Cost $	Accumulated amortization $	Net $	Net $
Computer software	31,151	14,225	16,926	7,810
Computer equipment	32,440	27,076	5,364	9,355
Microfilm equipment	31,102	28,745	2,357	3,956
Furniture	7,721	4,280	3,441	4,213
Other office equipment	4,060	1,598	2,462	2,128
	106,474	75,924	30,550	27,462

4 Deferred contributions

Deferred contributions related to equipment represent restricted contributions for the purchase of computer and other equipment. The changes in the deferred contributions balance for the year are as follows:

	2007 $	2006 $
Balance – Beginning of year	3,819	–
Add: Funding grant received during the year	–	4,243
Less: Amount amortized to revenue	(424)	(424)
Balance – End of year	3,395	3,819

PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
FINANCIAL STATEMENTS
MARCH 31, 2007

NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Justice

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2007 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2007 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

JR Lapointe

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 28, 2007

PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
BALANCE SHEET
AS AT MARCH 31, 2007

ASSETS

	2007	2006
Estates and Trusts		
Cash	$ 1,408,356	$ 1,444,803
Securities, real estate and other assets (Note 3)	28,315,061	25,249,251
Common Fund securities (Note 4)	2,159,017	1,995,464
Accrued interest	400,488	311,084
	32,282,922	29,000,602
Special Reserve Fund (Note 5)		
Cash and securities	1,854,130	1,735,981
Accrued interest	41,144	40,059
	1,895,274	1,776,040
	$34,178,196	$30,776,642

LIABILITIES

	2007	2006
Estates and Trusts		
Estates and trusts balances	$32,282,922	$29,000,602
Special Reserve Fund (Note 5)		
Restricted funds	1,816,397	1,700,981
Funds transferable to Province of Nova Scotia	78,877	75,059
	1,895,274	1,776,040
	$34,178,196	$30,776,642

The accompanying notes are an integral part of these statements

Approved:

M Estelle Theriault

Public Trustee
M Estelle Theriault, Q.C.

PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
STATEMENT OF CONTINUITY OF ASSETS
FOR THE YEAR ENDED MARCH 31, 2007

		Estates and Trusts	Special Reserve Fund	Fees Earned	2007 Total	2006 Total
Balance, beginning of year		$29,000,602	$ 1,776,040	$ -	$30,776,642	$27,960,968
Add:	Assets acquired during the year	13,981,729	-	-	13,981,729	13,007,964
	Net Income earned	730,263	-	-	730,263	824,623
	Fees earned	-	-	582,492	582,492	550,034
	Interest earned on Special Reserve Fund investments	-	79,962	-	79,962	78,644
	Excess interest transferred from Common Fund	-	114,331	-	114,331	98,666
		14,711,992	194,293	582,492	15,488,777	14,559,931
Less:	Distributions of estates and trusts	11,420,616	-	-	11,420,616	11,111,487
	Transfers to the Province					
	Fees	-	-	582,492	582,492	550,034
	Undistributable estates and trusts (per Section 28)	9,056	-	-	9,056	18,601
	Investment income earned on Special Reserve Fund	-	75,059	-	75,059	64,135
		11,429,672	75,059	582,492	12,087,223	11,744,257
Balance, end of year		$32,282,922	$ 1,895,274	$ -	$34,178,196	$30,776,642

The accompanying notes are an integral part of these statements

PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, modified by the following policies.

a) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include certain receivables and payables.

3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities are valued in a manner which approximates market value at March 31, 2007.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of $1.

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at market value as of March 31, 2007.

PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by the Nova Scotia Department of Justice and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2007	2006
Department of Justice		
- Salaries and benefits	$ 915,066	$ 754,379
- Other operating costs	139,010	292,322
- Rent	73,162	56,839
	1,127,238	1,103,540
Less transfers to Province		
- Fees	582,492	550,034
- Special Reserve Fund income	75,059	64,135
	657,551	614,169
Net cost to the Province	$ 469,687	$ 489,371

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Combined Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Board of Directors of the **Resource Recovery Fund Board Inc.**

We have audited the combined statement of financial position of the **Resource Recovery Fund Board Inc.** as at March 31, 2007 and the combined statement of operations, changes in net resources and cash flows for the year then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined financial position of the **Resource Recovery Fund Board Inc.** as at March 31, 2007 and the combined results of its operations, changes in net resources and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Truro, Nova Scotia
May 11, 2007

Grant Thornton LLP
Chartered Accountants

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Canadian Member of Grant Thornton International

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Combined Statement of Operations
Year Ended March 31, 2007

	Budget 2007	2007	2006
Revenues			
Deposits	$ 32,669,100	**$ 34,511,326**	$ 32,198,896
Sales of recyclable materials	4,689,700	**5,337,300**	4,478,523
Tire program	3,393,000	**3,307,443**	3,309,572
Stewardship	997,400	**980,608**	968,461
Rental income	201,600	**201,600**	201,600
Investment and other income	418,400	**695,594**	469,807
Total revenues	42,369,200	**45,033,871**	41,626,859
Expenses			
Operating (Page 11)	29,727,500	**30,342,078**	29,197,638
Administrative (Page 12)	1,767,100	**1,538,155**	1,384,779
Other expenditures and allocations			
Approved program grants	1,911,200	**1,167,895**	816,406
Education and awareness	1,691,000	**1,393,802**	1,522,619
Regional committees	250,000	**296,893**	242,178
Derelict vehicle program	100,000	**32,806**	59,863
Household hazardous waste program	100,000	**100,000**	69,443
Municipal Solid Waste Diversion	5,502,800	**6,695,000**	5,491,000
Special municipal allocation	-	**-**	700,000
Province of Nova Scotia	1,100,600	**1,339,000**	1,098,000
Research, development and special projects	350,000	**-**	-
	42,500,200	**42,905,629**	40,581,926
Net revenue before equity earnings	(131,000)	**2,128,242**	1,044,933
Equity in net profit of a business enterprise	-	**-**	38,564
Gain on sale of interest in a business enterprise	-	**-**	52,507
Excess of revenues over expenditures	$ (131,000)	**$ 2,128,242**	$ 1,136,004

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Combined Statement of Changes in Net Resources

Year Ended March 31

	Resource Recovery Fund				2007	2006
	Invested in Capital Assets	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	**Total**	Total
Balance, beginning of year	$ 2,012,599	$ 2,371,594	$ 6,933,899	$ -	$ **11,318,092**	$ 10,182,088
Excess (deficiency) of revenue over expenses	(361,243)	-	-	2,489,485	**2,128,242**	1,136,004
Investment in capital assets	123,268	-	-	(123,268)	-	-
	1,774,624	2,371,594	6,933,899	2,366,217	**13,446,334**	11,318,092
Internal transfers from (to)	-		6,696,613	(6,696,613)	-	-
Payment of approved programs	-	-	(1,167,895)	1,167,895	-	-
Education and awareness program	-	-	(1,393,802)	1,393,802	-	-
Regional committees	-	-	(296,893)	296,893	-	-
Nova Scotia Department of Environment and Labour	-	-	(1,339,000)	1,339,000	-	-
Household hazardous waste program	-	-	(100,000)	100,000	-	-
Derelict vehicle program	-	-	(32,806)	32,806	-	-
Balance, end of year	$ 1,774,624	$ 2,371,594	$ 9,300,116	$ -	$ **13,446,334**	$ 11,318,092

Restricted for approved programs represented by:

Committed funds (Note 8 (b))	$ 1,508,127
Uncommitted funds	7,791,989
	$ 9,300,116

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Combined Statement of Financial Position

March 31	**2007**	2006
Financial assets		
Cash and cash equivalents	$ **11,661,846**	$ 8,786,942
Receivables	**3,414,251**	3,229,451
Accrued receivables	**597,497**	320,681
Notes receivables (Note 3)	**120,612**	32,507
Investments, at cost (market value - $8,067,511; 2006 - $8,026,479)	**8,051,382**	8,000,000
	23,845,588	20,369,581
Financial liabilities		
Payables and accruals	**1,390,622**	1,791,110
Municipal solid waste diversion credits payable	**6,695,000**	5,491,000
Unearned revenue	**4,378,200**	4,036,800
	12,463,822	11,318,910
Net financial resources	**11,381,766**	9,050,671
Non-financial assets		
Inventory	**192,270**	129,573
Prepaids	**97,674**	125,249
Property and equipment (Note 4)	**1,767,386**	1,978,865
Organizational costs, net of accumulated amortization	**7,238**	33,734
	2,064,568	2,267,421
Net resources (Note 8 and Page 3)	$ **13,446,334**	$ 11,318,092

Commitment (Note 6)
Contingency (Note 9)

On Behalf of the Board

____________________ Director ____________________ Director

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Combined Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and cash equivalents:		
Operating		
Excess of revenues over expenditures	$ 2,128,242	$ 1,136,004
Equity in net profit of a business enterprise	-	(38,564)
Gain on sale of interest in a business enterprise	-	(52,507)
Depreciation and amortization	361,038	360,249
Gain on sale of property and equipment	(1,495)	(11,694)
	2,487,785	1,393,488
Change in non-cash operating working capital		
Receivables	(461,616)	(274,775)
Inventory	(62,697)	11,735
Prepaids	27,575	65,489
Payables and accruals	803,512	749,531
Unearned revenue	341,400	188,300
	3,135,959	2,133,768
Investing		
Proceeds from sale of:		
Property and equipment	1,700	36,000
Interest in a business enterprise	-	376,250
Investments	1,200,000	-
Purchase of:		
Property and equipment	(123,268)	(446,768)
Investments	(1,251,382)	(8,000,000)
Issue of note receivable	(111,600)	-
Repayment of notes receivable, net	23,495	152,638
	(261,055)	(7,881,880)
Net increase (decrease) in cash and cash equivalents	2,874,904	(5,748,112)
Cash and cash equivalents, beginning of year	8,786,942	14,535,054
Cash and cash equivalents, end of year	$ 11,661,846	$ 8,786,942

See accompanying notes to the combined financial statements

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Notes to the Combined Financial Statements
March 31, 2007

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit organization established by the Nova Scotia government to develop and administer industry stewardship programs that increase waste diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

Under regulation, all revenues earned are deposited to the Resource Recovery Fund, which is the property of the Province of Nova Scotia. All expenditures incurred by the Resource Recovery Fund Board Inc. to operate, administer and fulfil the mandates of the Province of Nova Scotia Solid Waste Management Strategy are expenditures of the Resource Recovery Fund. Accordingly all assets, liabilities and net resources reported in these financial statements are the property of the Resource Recovery Fund and are held on behalf of the Province of Nova Scotia by the Resource Recovery Fund Board Inc.

2. Summary of significant accounting policies

Basis of presentation

The combined financial statements include the accounts of the Resource Recovery Fund Board Inc. and the Resource Recovery Fund. Significant inter-entity loans and transactions have been eliminated in these combined financial statements. These combined financial statements are the representations of management prepared in accordance with generally accepted accounting principles for provincial governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires the organization's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those reported.

Revenue recognition

Resource Recovery Fund follows the deferral method of accounting for revenue.

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Notes to the Combined Financial Statements
March 31, 2007

2. Summary of significant accounting policies (continued)

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Building	5%, straight line
Field equipment	20%, straight line
Leasehold improvements	14.2%, straight line
Office and warehouse equipment	20%, straight line
Computer hardware and software	33 1/3%, straight-line
Containers	
- Bags	33 1/3%, straight-line
- Tubs	10%, straight-line
Vehicles	33 1/3%, straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight line basis over five years.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Notes to the Combined Financial Statements
March 31, 2007

2. Summary of significant accounting policies (continued)

Financial instruments

Financial instruments include cash and cash equivalents, receivables, accrued receivables, notes receivable, investments, payables and accruals, municipal solid waste diversion credits payable and unearned revenue. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments are at least equal to their carrying values.

Income taxes

The organization is exempt from income taxes under Section 149(l)(d) of the *Canadian Income Tax Act*.

3. Notes receivables

	2007	2006
Non-interest bearing notes receivable due in equal monthly Instalments of $1,535 and $1,860, maturing in 2008 and 2012.	$ **120,612**	$ 32,507

4. Property and equipment

			2007	2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 282,000	$ -	$ **282,000**	$ 282,000
Field equipment	380,716	179,605	**201,111**	243,102
Building	969,431	137,216	**832,215**	880,686
Office and warehouse equipment	102,713	98,285	**4,428**	6,418
Containers	1,307,685	983,463	**324,222**	427,126
Leasehold improvements	14,250	13,195	**1,055**	1,123
Computer hardware and software	575,805	499,716	**76,089**	58,318
Vehicles	130,640	84,374	**46,266**	80,092
	$ 3,763,240	$ 1,995,854	$ **1,767,386**	$ 1,978,865

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Notes to the Combined Financial Statements
March 31, 2007

5. Banking facilities

The fund has an operating line of credit of $2,500,000, all of which is unused at March 31, 2007.

6. Commitment

The Resource Recovery Fund has entered into agreements with specific organizations and businesses to provide funding for various recycling programs across Nova Scotia. At March 31, 2007, $1,508,127 of the restricted for approved programs resources has been committed under these agreements.

7. Related party transaction

The fund reimburses the Nova Scotia Department of Environment and Labour for services and expenses incurred on the funds behalf. During the year, costs of $1,339,000 (2006 - $1,098,000) were incurred, of which $539,000 (2006 - $298,000) is included in payables and accruals.

8. Restrictions on net resources

Net resources under the Resource Recovery Fund have been internally restricted for the following purposes:

(a) Restricted for future projects – represents the amount internally restricted for funding various future projects as approved by the board and in accordance with the goals and objectives of the Resource Recovery Fund.

(b) Restricted for approved programs – represents the amount internally restricted for various recycling programs and initiatives in accordance with the goals and objectives of the Resource Recovery Fund. Of the amount internally restricted, $1,508,127 has been committed by the board to assist in the funding of various recycling programs across Nova Scotia.

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Notes to the Combined Financial Statements
March 31, 2007

9. Contingency

The Board has been unable to determine with reasonable certainty if HST should have been charged to the Resource Recovery Fund on some of its operating costs incurred and withdrawn from the Fund. Due to the uncertainty around this matter, the Board intends to request an HST Ruling from the Canada Revenue Agency (CRA). If CRA were to rule that certain amounts were subject to HST, the Board would be required to recognize a liability on these amounts relating to the period from July 1, 2004 to March 31, 2007. Management believes it is likely that any amount of HST assessed as a result of the proposed ruling, would be fully recoverable and accordingly, there is no net impact anticipated on the statements of financial position or operations, related to this uncertainty.

Resource Recovery Fund Board Inc.
Resource Recovery Fund
Combined Statement of Operating Costs

Year Ended March 31	Budget 2007	**2007**	2006
Inventory, beginning of year	$ 141,000	$ **129,573**	$ 141,308
Deposit refunds	13,777,000	**13,955,422**	13,468,047
Enviro-Depot handling fees	9,353,900	**9,554,371**	9,046,827
Local cartage	990,800	**952,686**	974,426
Regional processing	1,024,200	**1,020,782**	999,708
Freight-in	270,500	**259,803**	246,346
Central processing expenses			
Building expenses	45,000	**39,164**	39,341
Depreciation	230,500	**226,883**	228,601
Insurance	2,000	**1,903**	1,546
Meetings and travel	27,200	**21,984**	22,255
Postage, delivery and office	8,800	**4,263**	8,849
Propane – forklift	3,200	**2,884**	2,826
Repairs and maintenance – bulk bags	15,400	**30,795**	19,567
Repairs and maintenance – equipment	-	**1,259**	9,968
Salaries and benefits	293,800	**294,266**	261,912
Shipping supplies	72,200	**65,418**	71,519
Telecommunications	10,300	**8,466**	8,799
Vehicle expense	4,200	**3,107**	3,451
Non-deposit materials	-	**38,134**	44,298
Used tire management program	2,537,600	**2,920,568**	2,731,623
Paint program	1,060,900	**1,002,617**	995,994
	29,868,500	**30,534,348**	29,327,211
Inventory, end of year	141,000	**192,270**	129,573
	$ 29,727,500	$ **30,342,078**	$ 29,197,638

Resource Recovery Fund Board Inc.

Resource Recovery Fund

Combined Statement of Administrative Expenses

Year Ended March 31	Budget 2007	**2007**	2006
Bad debt	$ -	$ **-**	$ 4,637
Bank charges and interest	9,000	**7,580**	7,100
Board fees and expenses	87,800	**64,260**	59,670
Building expenses	113,700	**119,626**	85,760
Depreciation and amortization	159,900	**134,155**	131,648
Dues and fees	6,900	**6,333**	3,847
Equipment lease or rent	6,200	**6,037**	6,118
Insurance	9,000	**6,515**	6,913
Meetings and travel	78,400	**56,298**	56,452
Office expense	17,000	**14,994**	16,948
Postage and delivery	12,000	**6,066**	7,503
Printing and stationery	6,000	**4,077**	4,168
Professional fees	77,500	**190,496**	131,064
Public relations	234,000	**170,619**	107,351
Salaries and benefits	815,100	**634,204**	647,194
Software development and support	61,500	**69,392**	67,040
Telecommunications	32,900	**31,001**	28,646
Training	32,400	**14,250**	8,518
Vehicle expense	7,800	**2,252**	4,202
	$ 1,767,100	$ **1,538,155**	$ 1,384,779

Sherbrooke Restoration Commission
Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Members of
Sherbrooke Restoration Commission

We have audited the balance sheet of **Sherbrooke Restoration Commission** as at March 31, 2007, and the statements of operations, fund balances and cash flows for the year then ended. These financial statements have been prepared to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2007, and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of the Sherbrooke Restoration Commission and the Province of Nova Scotia to comply with accounting principles adopted for museum boards in Nova Scotia. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

The comparative figures were audited by another firm of chartered accountants.

Grant Thornton LLP

New Glasgow, Nova Scotia
April 27, 2007

Chartered Accountants

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Sherbrooke Restoration Commission
Statement of Operations

Year Ended March 31	2007	2007	2006 Restated (Note 7)
	Budget (Unaudited)	**Actual**	**Actual**
Revenue			
Operating grants			
Board of Governors of the Nova Scotia Museum	$ 947,035	$ 947,000	$ 947,030
Program revenue (Schedule 2)	270,700	286,601	257,397
Other			
Gate admissions	110,000	100,079	105,883
Government capital grants	65,000	65,001	65,014
Interest	4,500	10,015	3,942
Miscellaneous	57,040	8,334	4,034
Total revenue	1,454,275	1,417,030	1,383,300
Expenditures			
General operating (Schedule 1)	623,800	612,000	562,161
Program (Schedule 2)	765,475	760,273	773,650
Capital	65,000	57,786	62,834
Total expenditures	1,454,275	1,430,059	1,398,645
Excess of expenditures over revenue	$ -	$ (13,029)	$ (15,345)

Sherbrooke Restoration Commission
Statement of Fund Balances

Year Ended March 31		2007		2006
Investment in Capital Assets				
Balance, beginning of year	$	4,402,588	$	4,399,425
Additions				
Furnishings and equipment		1,665		3,163
Balance, end of year	$	4,404,253	$	4,402,588
Reserve for Development				
Balance, beginning of year	$	24,932	$	34,763
Transfer from (to) operating fund surplus		40,988		(10,686)
Interest on GIC		1,752		855
Balance, end of year	$	67,672	$	24,932
Operating Fund Surplus				
Balance, beginning of year				
As originally reported	$	189,214	$	93,873
Adjustment of prior year (Note 7)		(100,000)		-
As restated		89,214		93,873
Excess of expenditures over revenue		(13,029)		(15,345)
		76,185		78,528
Transfer (to) from reserve for development		(40,988)		10,686
Balance, end of year	$	35,197	$	89,214

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission
Balance Sheet

March 31	2007	2006 *Restated* *(Note 7)*
Assets		
Current		
Cash and cash equivalents	$ 11,767	$ 17,625
Guaranteed Investment Certificate (GIC) (Note 3)	67,672	24,932
Receivables	73,717	121,472
Inventory	127,814	134,447
Prepaids	945	2,126
	281,915	300,602
Capital assets (Note 2)	4,404,253	4,402,588
	$ 4,686,168	$ 4,703,190
Liabilities		
Current		
Payables	$ 93,650	$ 82,439
Accrued benefit liability (Note 4)	5,011	4,017
	98,661	86,456
Deferred revenue (Notes 5 & 7)	80,385	100,000
	179,046	186,456
Equity		
Investment in capital assets (Page 3)	4,404,253	4,402,588
Reserve for development (Page 3)	67,672	24,932
Operating fund surplus (Page 3)	35,197	89,214
	4,507,122	4,516,734
	$ 4,686,168	$ 4,703,190

Approved on behalf of the Board

Brenda Alexander Director

Director

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission
Statement of Cash Flows

Year Ended March 31	2007	2006 *Restated* *(Note 7)*
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of expenditures over revenue	$ (13,029)	$ (15,345)
Non-cash items		
Increase in reserve for development	1,752	855
Accrued benefit liability	994	(15,887)
Capital expenditures charged to operations	1,665	3,163
	(8,618)	(27,214)
Changes in non-cash operating working capital (Note 6)	47,165	5,605
Net increase (decrease) in cash and cash equivalents	38,547	(21,609)
Investing		
Additions to capital assets	(1,665)	(3,163)
Transfer (to) from reserve for development	(42,740)	9,831
	(44,405)	6,668
Net change in cash and cash equivalents	(5,858)	(14,941)
Cash and cash equivalents		
Beginning of year	17,625	32,566
End of year	$ 11,767	$ 17,625

See accompanying notes to the financial statements.

Sherbrooke Restoration Commission
Notes to the Financial Statements
March 31, 2007

1. Nature of operations

The Commission operates the Sherbrooke Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with accounting principles adopted for museum boards in the Province of Nova Scotia. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because amortization is not recorded on capital assets and capital expenditures are included in the statement of operations.

Fund accounting
The assets and liabilities of the Commission are segregated into three funds: investment in capital assets, reserve for development, and operating fund surplus. The operating fund assets and liabilities are those which are used for the general operations of the Commission. The investment in capital assets comprises assets of enduring benefit and any related debt.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in bank and cash on hand.

Inventory
Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and net realizable value.

Capital assets
Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

Financial instruments
The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

Employee future benefit obligations
The cost of the defined benefit pension plan is accrued based on actuarial valuations, which are determined using the projected unit credit costing method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary, escalation, retirement ages and expected growth rate of health care costs.

Sherbrooke Restoration Commission
Notes to the Financial Statements
March 31, 2007

2. Summary of significant accounting policies (cont.)

Use of estimates

The preparation of financial statements in conformity with accounting principles adopted for museum boards in Nova Scotia, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government grants

Government grants relating to operations are reflected as revenue in the operating fund.

3. Guaranteed Investment Certificate (GIC)

During the year, the Sherbrooke Restoration Commission had net additions of $42,740 (2006 - $9,831 net redemptions) in the Sherbrooke Village Development Fund. Total internally restricted cash at year end is $67,672. This fund is for capital items that fulfil the long term objectives of the Commission, such as enhancements.

Sherbrooke Restoration Commission
Notes to the Financial Statements
March 31, 2007

4. Pension Plan

The Commission operates a defined benefit pension plan for all permanent employees which provide benefits to employees upon retirement based on length of service and average earnings during employment as defined. The most recent actuarial projection, in draft form, covered the financial position of the plan as at December 31, 2006.

Information about the Commission's pension plan is as follows:

	2007	2006
Fair value of plan assets	$ 1,393,800	$ 1,163,827
Accrued benefit obligation	1,581,200	1,470,911
Funded status – plan deficit	$ (187,400)	$ (307,084)
Accrued benefit liability	$ 5,011	$ 4,017

The significant actuarial assumptions adopted in valuing the plan are:

	2007	2006
Discount rate	5.0%	5.0%
Rate of compensation increase	3.0%	3.5%
Expected return on the plan assets	6.5%	7.0%

Other relevant disclosures include:

	2007	2006
Plan contributions	$ 56,764	$ 53,801
Benefits paid	$ -	$ 13,483

All plan assets are held by Sun Life. Pension expense for the year ended March 31, 2007 is $57,758; (2006 - $37,914).

Sherbrooke Restoration Commission
Notes to the Financial Statements
March 31, 2007

5. Deferred revenue

		2007		2006
Balance, beginning of year (Note 7)	$	100,000	$	-
Funds received		-		100,000
Expenditures		(19,615)		-
Balance, end of year	$	80,385	$	100,000

6. Changes in non-cash operating working capital

		2007		2006
Receivables	$	47,755	$	(79,024)
Inventory		6,633		(17,384)
Prepaids		1,181		109
Payables		11,211		1,904
Deferred revenue		(19,615)		100,000
	$	47,165	$	5,605

7. Adjustment of prior year

During the year ended March 31, 2006, the Commission received grant revenue of $100,000 to be used for implementing sustainability plans. As at March 31, 2006 the Commission did not incur any expenses, however the full amount of the grant was recognized in revenue, in error. Accordingly, an adjustment of prior year figures has been made, resulting in the following net impact on the comparative financial statement:

- A $100,000 reduction in operating grant revenue.
- As at March 31, 2006, a $100,000 reduction in the operating fund surplus.

8. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

Schedule 1

Sherbrooke Restoration Commission
General Operating Expenditures

Year Ended March 31	2007		2006
	Budget (Unaudited)	Actual	Actual
Advertising and brochures	$ 15,000	$ 23,187	$ 16,543
Admission	-	2,395	-
Bad debts	-	100	-
Freight	600	278	389
Heat, light and power	88,000	64,251	67,251
Insurance and taxes	5,300	5,604	4,107
Interest and bank charges	2,000	1,958	2,332
Maintenance supplies	21,700	23,012	26,432
Miscellaneous	5,600	3,284	5,217
Motor vehicles	5,000	4,747	4,552
Office supplies and postage	11,000	12,626	12,595
Professional fees	9,500	10,668	9,602
Property maintenance and security salaries	105,520	117,506	112,489
Pension plan and other benefits	121,500	102,207	87,086
Salaries and wages – administration	141,080	136,915	130,482
Sewer and water	35,000	36,567	25,292
Staff and Commission training and travel	21,000	24,077	22,017
Special projects wages (net)	-	(319)	248
Telephone	17,000	23,828	19,205
Workers' compensation	19,000	19,109	16,322
	$ 623,800	$ 612,000	$ 562,161

See accompanying notes to the financial statements.

Schedule 2

Sherbrooke Restoration Commission
Program Revenue and Expenditures

Year Ended March 31	2007		2006
	Budget (Unaudited)	**Actual**	Actual
Ambrotype studio	$ 18,745	$ 13,527	$ 15,662
Blacksmith shop	15,500	14,329	14,785
Boat shop	800	-	-
Costume shop	26,810	26,619	21,322
Craft shop	32,085	31,478	25,202
Education program	(30,000)	(28,109)	(27,463)
Emporium (Schedule 3)	(15,250)	(21,992)	(4,586)
Exhibit operations	1,200	42	-
Guides	250,715	202,576	257,670
Jordan barn	35,850	41,773	41,639
Pottery shop	31,855	35,028	25,873
Program management	83,105	80,595	83,786
Restaurant	(1,500)	(536)	(1,004)
Riverfront project, St. Mary's Boat Club	-	-	540
Print shop	300	(3,874)	2,250
Sawmill operations	19,245	22,579	33,497
Theatre program	(1,810)	(2,482)	(2,000)
Turner shop	24,180	27,758	17,059
Woodworking shop	2,945	34,361	12,021
	$ 494,775	$ 473,672	$ 516,253

Program expenditures	$ 765,475	$ 760,273	$ 773,650
Less: Program revenue	270,700	286,601	257,397
Net expenditures	$ 494,775	$ 473,672	$ 516,253

See accompanying notes to the financial statements.

Schedule 3

Sherbrooke Restoration Commission
Retail Operations - Emporium

Year Ended March 31	2007	2006
Revenue		
Sales	$ 141,266	$ 116,035
Cost of goods sold		
Merchandise inventory, opening	39,877	37,752
Purchases	76,687	77,267
Merchandise available for sale	116,564	115,019
Less: Merchandise inventory, ending	35,824	39,877
Cost of good sold	80,740	75,142
Gross profit	60,526	40,893
Expenses		
Salaries and wages	35,077	29,163
General expense	3,457	7,144
	38,534	36,307
Net retail income	$ 21,992	$ 4,586

Financial Statements of

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

March 31, 2007

Deloitte

Deloitte & Touche LLP
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Independent Auditors' Report

To the Chair and Members of the Board of Directors of the
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2007 and the statements of operations, changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the South Shore District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South Shore District Health Authority as at March 31, 2007 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 15, 2007

Member of
Deloitte Touche Tohmatsu

SOUTH SHORE DISTRICT HEALTH AUTHORITY
OPERATING AS SOUTH SHORE HEALTH
Statement of Financial Position
March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
ASSETS				
Current				
Cash and cash equivalents	$ -	$ 3,244,134	$ 3,244,134	$ 3,537,357
Accounts receivable (Note 3)	6,400,497	930,710	7,331,207	8,909,698
Inventory	799,548	-	799,548	664,213
Prepaid expenses	363,926	20,000	383,926	400,564
	7,563,971	4,194,844	11,758,815	13,511,832
Long-term assets (Note 4)	5,104,043	-	5,104,043	4,487,211
Property, plant and equipment (Note 5)	-	31,620,167	31,620,167	29,944,923
	$ 12,668,014	$ 35,815,011	$ 48,483,025	$ 47,943,966
LIABILITIES				
Current				
Bank indebtedness	$ 497,529	$ -	$ 497,529	$ -
Accounts payable and accrued liabilities (Note 7)	6,660,229	1,003,764	7,663,993	8,695,553
Revenue received in advance	590,651	-	590,651	2,391,906
	7,748,409	1,003,764	8,752,173	11,087,459
Employee future benefits (Note 12)	4,919,605	-	4,919,605	4,334,322
Deferred capital grants (Note 8)	-	34,811,247	34,811,247	32,769,937
	12,668,014	35,815,011	48,483,025	48,191,718
FUND BALANCE (DEFICIENCY)				
Unrestricted	-	-	-	(247,752)
	$ 12,668,014	$ 35,815,011	$ 48,483,025	$ 47,943,966

Commitments (Note 9)

APPROVED BY THE BOARD

Rolanna Smith ....Chair

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Statement of Changes in Fund Balance (Deficiency)

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
Unrestricted fund balance				
Balance, beginning of year	$ (429,022)	$ 181,270	$ (247,752)	$ (173,749)
Excess (deficiency) of revenues over expenses	429,022	(181,270)	247,752	(74,003)
Total fund balance (deficiency)	$ -	$ -	$ -	$ (247,752)

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Statement of Operations

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
Revenues				
Department of Health	$ 53,424,964	$ (264,981)	$ 53,159,983	$ 48,582,791
Veterans Affairs Canada	2,269,401	-	2,269,401	2,160,860
Patient services	1,621,123	-	1,621,123	1,447,647
Program recoveries	7,817,361	-	7,817,361	7,195,520
Amortization of deferred capital grants	-	2,751,666	2,751,666	2,489,159
Other	894,496	(3,310)	891,186	548,832
	66,027,345	2,483,375	68,510,720	62,424,809
Expenses				
Addiction	2,131,857	-	2,131,857	1,731,442
Administration and support	2,006,327	-	2,006,327	1,742,610
Amortization of property, plant and equipment	-	2,664,645	2,664,645	2,384,293
Bad debts	163,827		163,827	159,493
Diagnostic imaging	2,969,138	-	2,969,138	2,869,997
Employee future benefits	998,598	-	998,598	504,319
Environmental	2,153,308	-	2,153,308	2,041,338
Finance	541,899	-	541,899	623,105
Food and nutrition	2,706,156	-	2,706,156	2,601,883
Health registry	1,799,923	-	1,799,923	1,779,587
Human resources	590,467	-	590,467	582,464
Information services	1,429,528	-	1,429,528	1,452,422
Laboratory	4,565,104	-	4,565,104	3,885,924
Material management	1,620,027	-	1,620,027	1,470,409
Mental health	4,428,013	-	4,428,013	3,917,589
Nursing	26,419,217	-	26,419,217	24,432,713
Other programs	2,440,685	-	2,440,685	2,126,622
Pharmacy	1,069,922	-	1,069,922	803,586
Plant and support	3,872,748	-	3,872,748	3,617,205
Public health	1,840,331	-	1,840,331	1,448,194
Rehabilitation services	1,155,577	-	1,155,577	927,815
Sundry	695,671	-	695,671	1,395,802
	65,598,323	2,664,645	68,262,968	62,498,812
Excess (deficiency) of revenues over expenses	$ 429,022	$ (181,270)	$ 247,752	$ (74,003)

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Statement of Cash Flows

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Excess (deficiency) of revenues over expenses	$ 429,022	$ (181,270)	$ 247,752	$ (74,003)
Adjusted for:				
Amortization of property, plant and equipment	-	2,664,645	2,664,645	2,384,293
Amortization of deferred capital grants	-	(2,751,666)	(2,751,666)	(2,489,159)
Employee future benefits (Note 12)	998,598	-	998,598	504,319
Payment of employee future benefits (Note 12)	(413,315)	-	(413,315)	(212,638)
Changes in non-cash working capital items (Note 11)	(4,002,804)	2,629,783	(1,373,021)	(2,226,851)
	(2,988,499)	2,361,492	(627,007)	(2,114,039)
Financing				
Proceeds from capital grants (Note 8)	-	4,792,976	4,792,976	5,151,152
Investing				
Investment in long-term assets	(616,832)	-	(616,832)	(206,877)
Acquisition of property, plant and equipment	-	(4,339,889)	(4,339,889)	(3,375,192)
	(616,832)	(4,339,889)	(4,956,721)	(3,582,069)
NET CASH (OUTFLOW) INFLOW	(3,605,331)	2,814,579	(790,752)	(544,956)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,107,802	429,555	3,537,357	4,082,313
(BANK INDEBTEDNESS) CASH AND CASH EQUIVALENTS, END OF YEAR	$ (497,529)	$ 3,244,134	$ 2,746,605	$ 3,537,357

	Operating Fund	Capital Fund	2007 Total	2006 Total
Supplemental cash flow information:				
Interest received	$ 238,437	$ -	$ 238,437	$ 56,927

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South Shore District Health Authority's mission: "Work with individuals, families and communities to prevent illness, provide care and improve the health of those we serve".

The facilities owned and operated by the South Shore District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queens General Hospital. In addition, the South Shore District Health Authority leases space in other locations to operate community-based programs throughout Lunenburg and Queens Counties and supports two Community Health Boards.

The South Shore District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South Shore District Health Authority's capital assets, and special purpose and endowment funds.

Revenue recognition

The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank indebtedness and balances with banks.

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

2. ACCOUNTING POLICIES (continued)

Inventory

Inventories are recorded at the lower of average cost and replacement cost and includes stores, pharmacy drugs, medical/surgical, and other general inventory.

Property, plant and equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 – 10%
Building and building service equipment	2.5 – 10%
Equipment	5 – 33%
Equipment under capital lease	5 – 20%

Deferred capital grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

3. ACCOUNTS RECEIVABLE

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	$ 4,457,683	$ -	$ 4,457,683	$ 2,611,017
- transition support program	33,008	-	33,008	33,008
- capital grants	-	23,140	23,140	2,657,918
Veterans Affairs Canada	200,578	-	200,578	176,185
Patient care	509,774	-	509,774	541,700
HST rebates	209,170	184,215	393,385	401,603
Extended care facilities	15,051	-	15,051	29,195
Homecare/VON	37,591	-	37,591	37,255
Charitable foundations	905	702,347	703,252	962,946
Psychiatric recoveries	90,061	-	90,061	83,314
HITS-NS - HIS project	163,594	-	163,594	849,729
Interfacility	136,489	-	136,489	22,743
ER physicians	82,271	-	82,271	85,793
Supplier rebate	113,414	-	113,414	60,881
Other	350,908	21,008	371,916	356,411
	$ 6,400,497	$ 930,710	$ 7,331,208	$ 8,909,698

4. LONG-TERM ASSETS

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Payroll advances	$ 109,246	$ -	$ 109,246	$ 116,846
Employee future benefits	4,994,797	-	4,994,797	4,370,365
	$ 5,104,043	$ -	$ 5,104,043	$ 4,487,211

5. PROPERTY, PLANT AND EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 302,434	$ -	$ 302,434	$ 302,434
Land improvements	853,776	745,024	108,752	137,013
Building and building service equipment	46,145,598	19,700,850	26,444,748	25,566,373
Equipment	32,317,645	27,553,412	4,764,233	3,939,103
Equipment under capital lease	1,313,838	1,313,838	-	-
	$ 80,933,290	$ 49,313,124	$ 31,620,167	$ 29,944,923

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

6. CREDIT FACILITIES

The South Shore District Health Authority has an available operating line of credit with a Canadian chartered bank totalling $3.1 million. As of March 31, 2007, interest charges on any overdraft accounts are at prime less .75%. There was no amount on the operating line as at March 31, 2007.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007			2006
	Operating Fund	**Capital Fund**	**Total**	Total
Trade payables	**$ 431,653**	**$ 281,255**	**$ 712,908**	$ 869,075
Accrued liabilities	**739,202**	**722,509**	**1,461,711**	2,119,541
Vacation pay	**2,932,308**	-	**2,932,308**	3,018,135
Salary and benefits	**2,499,763**	-	**2,499,763**	2,660,089
Other	**57,302**	-	**57,302**	28,713
	$ 6,660,229	**$ 1,003,764**	**$ 7,663,993**	$ 8,695,553

8. DEFERRED CAPITAL GRANTS

	2007	2006
Balance, beginning of year	**$ 32,769,937**	$ 30,107,944
Grants received for:		
Capital assets purchased	**4,271,633**	4,853,504
Future capital asset purchases	**521,343**	297,648
	37,562,913	35,259,096
Amortization of deferred capital grants	**(2,751,666)**	(2,489,159)
Balance, end of year	**$ 34,811,247**	$ 32,769,937

9. COMMITMENTS

Leases and purchase commitments

The South Shore District Health Authority has committed funds from operations for operating supplies, occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2008	$ 924,796
2009	718,330
2010	556,683
2011	112,811
2012	84,608
	$ 2,397,228

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

10. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2005, which showed an unfunded liability for the entire plan of $ Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2004. At that time, there was an unfunded liability.

South Shore District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2007 was $2,194,119 (2006 - $1,912,319).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2007			2006
	Operating Fund	**Capital Fund**	**Total**	Total
Accounts receivable	**$ (1,289,596)**	**$ 2,868,087**	**$ 1,578,491**	$ (775,712)
Inventory	**(135,335)**	**-**	**(135,335)**	45,943
Prepaid expenses	**16,638**	**-**	**16,638**	8,864
Accounts payable and accrued liabilities	**(793,256)**	**(238,304)**	**(1,031,560)**	(1,661,940)
Revenue received in advance	**(1,801,255)**	**-**	**(1,801,255)**	155,994
	$ (4,002,804)	**$ 2,629,783**	**$ (1,373,021)**	$ (2,226,851)

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service".

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits was in December of 2005 and its' last actuarial valuation of post retirement health benefits was performed in April of 2006.

SOUTH SHORE DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH SHORE HEALTH

Notes to the Financial Statements

March 31, 2007

12. EMPLOYEE FUTURE BENEFITS (continued)

	2007	2006
Accrued benefit liability		
Accrued benefit obligation	$ 4,645,536	$ 4,385,751
Add unamortized actuarial experience gain (loss)	274,069	(51,429)
Accrued benefit liability on the statement of financial position	$ 4,919,605	$ 4,334,322
Net benefit costs recognized		
Current service costs	$ 317,200	$ 251,900
Interest cost	255,400	241,500
Current year amortized actuarial loss	5,898	10,919
Plan amendments	420,100	-
Employee future benefit expense on the statement of operations	$ 998,598	$ 504,319
Payment of employee future benefits on the statement of cash flows	$ (413,315)	$ (212,638)

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2007 was 5.70% (2006 – 5.95%).

13. FINANCIAL INSTRUMENTS

Fair value

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

Credit risk

The South Shore District Health Authority performs an evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there to be no significant credit risk as at March 31, 2007.

14. COMPARATIVE FIGURES

Certain of the 2006 comparative balances have been reclassified to conform with the presentation adopted for the current year.

South Shore Regional School Board

Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chairperson and Members of the Board of
The South Shore Regional School Board

We have audited the statement of financial position of the South Shore Regional School Board as at March 31, 2007, and the statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit except as explained in the following paragraph.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and opening balances is limited to the amounts recorded in the records of the schools in which these funds are held. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Bridgewater, Nova Scotia
June 19, 2007

Grant Thornton LLP
Chartered Accountants

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South Shore Regional School Board
Statement of Financial Position

As at March 31	2007	2006
Financial Assets		
Cash and cash equivalents	$ 4,205,975	$ 1,935,001
Cash held by schools (Note 3)	1,161,317	999,197
	5,367,292	2,934,198
Accounts Receivable		
Province of Nova Scotia	2,113,971	1,476,112
Government of Canada	303,768	149,370
Other	916,822	139,941
Receivable - Service Award Allowance (Note 8)	2,388,153	3,075,506
Total Financial Assets	$ 11,090,006	$ 7,775,127
Liabilities		
Accounts payable and accrued liabilities-trade	$ 3,237,720	$ 1,011,107
Payroll and Employee Deductions	2,509,482	2,040,267
Payables and Accruals - Government		
Province of Nova Scotia	38,165	61,106
Government of Canada	349	1,824
Municipalities	53,418	17,835
Other (Government Service Organizations)	32,769	44,916
Deferred Revenue	1,131,712	715,858
Accrued Benefit Liability (Note 4)	146,000	179,200
Retirement Obligations (Note 8)	2,388,153	3,075,506
Total Liabilities	$ 9,537,768	$ 7,147,619
Net Financial Resources	$ 1,552,238	$ 627,508
Non-Financial Assets (Note 1)		
Tangible Capital Assets	$ -	$ -
Inventory	323,923	310,721
Prepaid expenses	411,806	417,429
	$ 735,729	$ 728,150
Accumulated surplus (Note 1)	$ 2,287,967	$ 1,355,658

Accounting Changes (Note 2)
Trust Funds under Administration (Note 5 and Schedule D)
Contractual Obligations (Note 6)
Commitments and Contingencies (Note 8)

On Behalf of the Board

Chairperson

Board Member

See accompanying notes to the financial statements

South Shore Regional School Board
Statement of Operations
For the year ended March 31, 2007

		2007	2006
	Budget	Actual	Actual
Revenues (Schedule A)			
Province of Nova Scotia	$ 50,798,100	$ 50,215,561	$ 46,604,266
Government of Canada	194,207	177,460	370,875
Municpal contributions	13,144,700	13,144,680	12,514,197
School generated funds (Note 3)	-	3,349,214	3,280,484
Board Operations	462,192	640,424	387,421
Total Revenues	$ 64,599,199	$ 67,527,339	$ 63,157,243
Expenses (Schedule B)			
Board Governance	$ 289,954	$ 271,665	$ 269,038
Regional Management	1,933,482	2,130,167	1,682,125
School Management & Support	6,162,448	6,064,993	6,435,549
Instruction & School Services	30,963,858	30,211,638	30,428,357
Student Support	7,538,852	7,242,878	6,524,961
Adult & Community Education	265,180	264,042	204,557
Property Services	10,096,708	10,068,460	8,248,044
Student Transportation	5,507,754	5,387,570	4,991,455
School generated funds (Note 3)	-	3,187,094	3,140,192
Other Programs	2,092,963	1,799,723	446,145
Defined benefit pension plan recovery	-	(33,200)	(163,300)
	$ 64,851,199	$ 66,595,030	$ 62,207,123
School Board surplus/(deficit) on an expense basis	$ (252,000)	$ 932,309	$ 950,120
Operating- from surplus to fund current operations	$ 252,000	$ 252,000	$ -
	$ -	$ 1,184,309	$ 950,120

Designation of accumulated surplus (Note 1):

Operating-unrestricted, beginning of year	$ -	$ 356,461	$ (453,367)
Surplus to fund operations		(252,000)	-
Operating Surplus, including school funds		1,184,309	950,120
Operating Surplus-designated to School Funds		(162,120)	(140,292)
Operating-unrestricted, end of year	$ -	$ 1,126,650	$ 356,461
School Funds-restricted, beginning of year	$ -	$ 999,197	$ 858,905
School Funds-restricted-net surplus for year		162,120	140,292
School Funds-restricted, end of year	$ -	$ 1,161,317	$ 999,197
	$ -	$ 2,287,967	$ 1,355,658

See accompanying notes to the financial statements.

South Shore Regional School Board
Statement of Changes in Net Financial Resources

For the year ended March 31, 2007	2007 Actual	2006 Actual
Net Financial Resources (debt), beginning of year	**$ 627,508**	$ (82,674)
Changes in the Period		
Annual surplus	**932,309**	950,120
(Decrease) increase in inventories of supplies	**(13,202)**	3,597
Increase (decrease) in prepaid expenses	**5,623**	(243,535)
Increase in net financial resources	**924,730**	710,182
Net Financial Resources, end of year	**$ 1,552,238**	$ 627,508

See accompanying notes to the financial statements.

South Shore Regional School Board
Statement of Cash Flow

For the year ended March 31, 2007

	2007	2006
Indirect Method		
Operating transactions		
Annual Operating Surplus	$ 770,189	$ 950,120
School generated funds (Note 3)	162,120	-
School Board surplus on an expense basis	932,309	950,120
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(1,569,138)	1,204,493
Increase in receivable-service awards	687,353	-
Decrease (increase) in inventories of supplies	(13,202)	110,305
Increase (decrease) in prepaid expenses	5,623	(350,243)
Increase (decrease) in accounts payable and accruals	2,694,848	(387,509)
Increase in deferred revenue	415,854	-
Decrease in accrued benefit liability	(33,200)	(163,300)
Decrease (increase) in retirement obligations payable	(687,353)	405,883
	1,500,785	819,629
Cash provided by operating activities	2,433,094	1,769,749
Increase in cash	2,433,094	1,769,749
Cash at beginning of period	2,934,198	1,164,449
Cash at end of year	$ 5,367,292	$ 2,934,198

See accompanying notes to the financial statements.

South Shore Regional School Board

Schedule A - Supplementary Details of Revenues

For the year ended March 31, 2007		2007	2006
	Budget	Actual	Actual
Province of Nova Scotia			
Operating	$ 36,287,200	$ **36,287,200**	$ 36,661,600
Restricted	9,847,154	**9,480,847**	5,808,043
Capital	3,034,600	**3,035,310**	2,020,114
Other	1,629,146	**1,412,204**	2,114,509
	$ 50,798,100	$ **50,215,561**	$ 46,604,266
Government of Canada			
HRDC	$ 2,243	$ **3,459**	$ 2,998
Other	-	**-**	190,734
First Nations	191,964	**174,001**	177,143
	$ 194,207	$ **177,460**	$ 370,875
Municpal contributions-Mandatory	$ 13,144,700	$ **13,144,680**	$ 12,514,197
	$ 13,144,700	$ **13,144,680**	$ 12,514,197
School generated funds (Note 3)	$ -	$ **3,349,214**	$ 3,280,484
	$ -	$ **3,349,214**	$ 3,280,484
Other Revenues-Board Operations:			
Board Generated -Other	$ 374,142	$ **432,207**	$ 299,683
Rentals	550	**425**	275
Interest/Investment	85,000	**194,535**	84,522
Sale of Assets	2,500	**13,257**	2,941
	$ 462,192	$ **640,424**	$ 387,421
Total Revenues	$ 64,599,199	$ **67,527,339**	$ 63,157,243

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

		2007	2006
	Budget	Actual	Actual
Board Governance			
Salaries	$ 128,149	$ **123,416**	$ 138,961
Benefits	6,783	**5,538**	5,739
Travel	25,250	**20,421**	22,192
Supplies/Telecommunications/Contracted Services	44,040	**33,768**	16,282
Professional Development	32,200	**34,990**	29,200
NSSBA Dues	53,532	**53,532**	56,664
Total Board Governance	$ 289,954	$ 271,665	$ 269,038
Regional Management			
Salaries	$ 1,126,438	$ **1,187,684**	$ 1,000,700
Benefits	207,512	**229,641**	185,267
Travel	35,830	**31,371**	19,486
Professional Services-Legal and Audit	65,855	**48,505**	47,156
Contracted Services	616,829	**722,541**	560,374
Repairs/Maintenance	20,500	**20,629**	11,513
Supplies/Materials/Telecommunications	147,010	**141,982**	111,986
Utilities	20,169	**17,249**	18,136
Professional Development	44,787	**26,905**	29,137
Insurance	82,341	**117,923**	75,889
Election costs	-	**32,315**	-
Recovery-Shared Services	(433,789)	**(446,578)**	(377,519)
Total Regional Management	$ 1,933,482	$ **2,130,167**	$ 1,682,125
School Management & Support			
Salaries	$ 4,834,185	$ **4,688,624**	$ 4,796,952
Benefits	426,385	**466,146**	413,390
Travel	65,115	**59,717**	52,707
Contracted Services	165	**164**	55,205
Repairs/Maintenance	6,100	**15,465**	6,812
Supplies/Materials/Telecommunications	613,584	**614,751**	745,495
Professional Development	216,914	**220,126**	364,988
Total School Management & Support	$ 6,162,448	$ **6,064,993**	$ 6,435,549
Instruction & School Services			
Salaries	$ 27,676,628	$ **27,080,228**	$ 27,645,680
Benefits	1,495,287	**1,549,210**	1,471,288
Service award allowances-current (Note 8)	356,900	**106,047**	64,117
Travel	7,250	**1,896**	3,402
Contracted Services	178,121	**184,664**	180,268
Supplies/Materials/Telecommunications	459,399	**445,107**	455,102
Textbook Allocation	510,500	**510,500**	504,100
Professional Development	279,773	**263,586**	-
Service award allowances-interest (Note 8)	-	**70,400**	104,400
Total Instruction & School Services	$ 30,963,858	$ **30,211,638**	$ 30,428,357

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

	2007		2006
	Budget	Actual	Actual
Student Support			
Salaries	$ 6,296,640	$ 6,014,437	$ 5,757,432
Benefits	726,492	744,731	639,651
Travel	70,890	60,127	43,297
Contracted Services	200	-	-
Repairs/Maintenance	4,000	3,358	2,641
Supplies/Materials/Telecommunications	384,430	377,219	56,119
Professional Development	56,200	43,006	25,821
Total Student Support	$ 7,538,852	$ 7,242,878	$ 6,524,961
Adult & Community Education			
Salaries	$ 235,938	$ 238,013	$ 188,130
Benefits	16,588	17,865	12,258
Travel	670	107	-
Contracted Services	4,384	3,394	1,539
Supplies/Materials/Telecommunications	7,600	4,663	2,630
Professional Development	-	-	-
Total Adult Ed & Community Education	$ 265,180	$ 264,042	$ 204,557
Property Services			
Salaries	$ 2,416,266	$ 2,344,072	$ 2,444,269
Benefits	493,622	506,193	483,086
Travel	7,355	2,842	2,426
Contracted Services	558,785	710,830	413,650
Repairs/Maintenance	4,036,775	4,156,983	2,679,908
Vehicle Expenses	23,300	33,744	23,810
Supplies/Materials/Telecommunications	223,504	195,790	166,975
Utilities	2,244,105	2,056,541	1,976,826
Professional Development	21,700	8,445	13,945
Insurance	294,829	266,427	278,141
Recoveries	(223,533)	(213,407)	(234,992)
Total Property Services	$ 10,096,708	$ 10,068,460	$ 8,248,044
Student Transportation			
Salaries	$ 2,742,025	$ 2,752,539	$ 2,632,348
Benefits	548,176	598,925	533,696
Travel	125,335	131,359	89,485
Contracted Services	109,700	70,906	43,643
Repairs/Maintenance	259,800	311,418	104,800
Vehicle Maintenance	1,348,879	1,162,439	1,275,527
Conveyance	87,200	71,906	63,403
Supplies/Materials/Telecommunications	107,700	121,306	77,739
Utilities	41,439	38,249	52,681
Professional Development	21,000	29,711	16,938
Insurance	116,500	117,421	101,195
Recoveries	-	(18,609)	-
Total Student Transportation	$ 5,507,754	$ 5,387,570	$ 4,991,455

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

		2007	2006
	Budget	Actual	Actual
School Generated Funds			
School funded activities (Note 3)	$ -	$ 3,187,094	$ 3,140,192
Total School Generated Funds	$ -	$ 3,187,094	$ 3,140,192
Other Programs			
Salaries	$ 684,498	$ 695,561	$ 272,439
Benefits	32,879	40,111	8,206
Travel	18,348	12,343	3,145
Contracted Services	15,000	11,958	1,004
Repairs/Maintenance	46,772	33,258	2,701
Supplies/Materials/Telecommunications	1,281,294	996,875	158,650
Professional Development	14,172	9,617	-
Total Other Programs	$ 2,092,963	$ 1,799,723	$ 446,145
Defined benefit pension plans			
Defined benefit pension expense	$ -	$ (33,200)	$ (163,300)
	$ -	$ (33,200)	$ (163,300)
Total Expenditures	$ 64,851,199	$ 66,595,030	$ 62,207,123

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule C - Supplementary Details of Tangible Capital Assets
For the year ended March 31, 2007

	Land, Buildings and Improvements	Major Equipment	Computer Hardware	Vehicles	Total
Cost of tangible assets transferred from Southwest Regional School Board	$ -	$ -	$ -	$ -	$ -
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Closing costs	$ -	$ -	$ -	$ -	$ -
Accumulated amortization:					
Opening balance	$ -	$ -	$ -	$ -	$ -
Disposals	-	-	-	-	-
Amortization expense	-	-	-	-	-
Closing balance	$ -	$ -	$ -	$ -	$ -
Net book value (NBV)	$ -	$ -	$ -	$ -	$ -
Net book value (NBV):					
Opening balance	$ -	$ -	$ -	$ -	$ -
Closing balance	-	-	-	-	-
Increase (decrease) in NBV	$ -	$ -	$ -	$ -	$ -

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule D-Trust Funds Balance Sheet

As at March 31	2007	2006
Assets		
Cash	$ 336,500	$ 335,438
Equity		
Reserve for scholarships		
Teachers' Scholastic Scholarship	2,342	3,857
Forbes Mountain Scholarship	158	152
Josephine Christie Fredea Award	1,378	1,400
South Shore District Memorial Scholarship	2,778	3,259
Murray Barkhouse Scholarship Fund	4,329	4,210
Robert Hirtle Memorial Fund	1,553	2,404
Dr. K.C.Ghandi Marfatia Scholarship Fund	15,692	11,606
W.G.L. Hirtle Scholarship	10,219	10,521
Elinor Muir Leary Scholarship	9,823	9,693
Irene and Derrell Ernst Scholarship	4,841	4,777
David Lowe Scholarship	8,102	7,750
Clara Quinlan Scholarship	5,171	5,098
Monte Oickle Scholarship	4,117	4,206
Colleen Finck Memorial	114,425	114,626
Paul Eisnor Memorial	342	379
Austin Nauss Scholarship	193	480
Timothy Daniels Memorial	4,720	4,534
Sylvia Weagle Bursary	28,526	28,144
Dr J.C. Wickwire	1,933	1,860
M. Ernst MacLeod	4,256	4,097
Colleen Finck Memorial-Acadia	53,785	56,682
Erma Westhaver Loomis	37,296	36,782
John S. Derrick	10,117	9,986
Caterina Cushing	9,355	7,924
Margaret Marshall	1,050	1,011
	$ 336,500	$ 335,438

On Behalf of the Board

Wanda J Browne
Chairperson

Elliott Bayzant
Board Member

See accompanying notes to the financial statements.

South Shore Regional School Board
Schedule E - Supplementary Details of Trust Funds

For the year ended March 31, 2007

	Balance Beginning of Period	Additions	Interest	Disbursements	Balance End of Period
Teachers Scholastic	$ 3,857	$ 4,694	$ 156	$ (6,365)	$ 2,342
Forbes Mountain	152		6		158
J.C. Fredea Award	1,400		53	(75)	1,378
South Shore District Memorial	3,259	150	119	(750)	2,778
M. Barkhouse Scholarship Fund	4,210	254	165	(300)	4,329
Robert Hirtle Memorial Fund	2,404	1,075	74	(2,000)	1,553
Dr. K.C. Marfatia Ghandi	11,606	4,000	586	(500)	15,692
W.G.L. Hirtle	10,521		398	(700)	10,219
Elinor Muir Leary	9,693		373	(243)	9,823
Irene / Derrell Ernst	4,777		184	(120)	4,841
David Lowe	7,750	50	302		8,102
Clara Quinlan	5,098		198	(125)	5,171
Monte Oickle	4,206		161	(250)	4,117
Colleen Finck Memorial	114,626	417	4,382	(5,000)	114,425
Paul Eisnor	379	50	13	(100)	342
Austin Nauss	480		13	(300)	193
Timothy Daniels	4,534	500	186	(500)	4,720
S Weagle Bursary	28,144		1,093	(711)	28,526
Dr J.C. Wickwire	1,860		73		1,933
M. Ernst MacLeod	4,097		159		4,256
Colleen Finck Memorial-Acadia	56,682		2,103	(5,000)	53,785
Erma Westhaver Loomis	36,782		1,414	(900)	37,296
John S. Derrick	9,986	245	386	(500)	10,117
Caterina Cushing	7,924	1,098	333		9,355
Margaret Marshall	1,011		39		1,050
	$335,438	$ 12,533	$ 12,968	$ (24,439)	$ 336,500

See accompanying notes to the financial statements.

South Shore Regional School Board
Notes to the Financial Statements

March 31, 2007

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting polices:

Basis of Accounting and Consolidation

Revenues
Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The consolidated statement of financial position is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

Expenses
Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Use of estimates
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

Financial Instruments
The Board's financial instruments include receivables, cash and cash equivalents, bank indebtedness, investments, payable and accruals, due to/from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, except for payables to related parties, for which fair value was not readily determinable.

Financial Assets
Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

1. Financial Reporting and Accounting Policies (continued)

Liabilities

Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

Net Financial Resources

Net financial resources represent the direct asset of the Board less financial liabilities.

Non-Financial Assets

Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

Tangible Capital Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost, when applicable. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right. The buildings and school buses financed by the Province of Nova Scotia and transferred to the school boards are not accounted for in the school board's financial statements, rather they are included in the Province of Nova Scotia's financial statements.

The Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. At March 31, 2007, none of the capital assets purchased by the Board qualified as tangible capital assets. The thresholds as defined in the policy are as follows:

Buildings	$250,000
Leasehold improvements	$150,000
Computer hardware	$25,000
Motor vehicles	$15,000
Equipment	$50,000
Software	$250,000

Prepaid expenses and Inventories

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

1. Financial Reporting and Accounting Policies (continued)

Accumulated Surplus/(Deficit)
Accumulated Surplus/(Deficit) represented the liabilities of the School Board less financial assets and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board *and school generated funds.*

Changes in surplus (deficit) are as follows:	2007	2006
Operating Surplus, beginning	**$ 1,355,658**	$ 405,538
Surplus, current year	**932,309**	950,120
Operating Surplus, March 31	**$ 2,287,967**	$ 1,355,658

Designation of accumulated surplus:		
General Fund-unrestricted	**$ 1,126,650**	$ 356,461
School general funds-restricted	**1,161,317**	999,197
Balance , March 31	**$ 2,287,967**	$ 1,355,658

2. Accounting Changes

a) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching and non-teaching staff. As at March 31, 2007 and March 31, 2006 this provision amounted to $1,049,799. This accounting change has no effect on the school board's annual surplus or its accumulated surplus in either year, as a receivable from the Province of Nova Scotia has been recognized by the School Board equivalent to the provision.

b) Vacation pay for 12-month employees has been accrued beginning on March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus in either year, as a receivable from the Province of Nova Scotia has also been recognized by the School Board equivalent to the vacation pay accrued.

3. School Generated Funds

These financial statements include funds arising from certain school and student activities that are controlled and administered by each school, but for which the Board is accountable. Revenue from school funds is recognized as the funds are received. School funded activities expenses are recorded as the funds are expended. School Generated Funds include the revenues and expenditures and fund balances of various organizations that exist at the school level under the jurisdiction of the school board.

Changes in cash held by schools are as follows:

	2007	2006
Balance, April 1	**$ 999,197**	$ 858,905
Additions to school generated funds	**3,349,214**	3,280,484
School funded activities expenses	**(3,187,094)**	(3,140,192)
Net school generated funds for year	**162,120**	140,292
Balance, March 31	**$ 1,161,317**	$ 999,197

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

4. Defined benefit pension plans

The School Board maintains two defined benefit pension plans, one for its C.U.P.E staff and a second for its support staff. These pension plans originated in the Southwest Regional School Board, and have not yet been formally split between the South Shore Regional School Board (SSRSB) and the Tri-County Regional School Board (TCRSB). The pension plan actuaries have notionally divided the assets of each plan between the two boards in proportion to the obligations for members from each school board as at the measurement date of December 31, 2004.

For both plans, employee contributions equal 5% of their salary, and the School Boards contribute the balance to fund the plan. Employee benefits are based on career earning levels.

C.U.P.E defined benefit pension plan.

The CUPE pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2006 and 2007. The accrued benefit asset was adjusted to March 31, 2007 by including employer contributions made between January and March of 2007. The actuarial valuation projects a deficit of $143,000 for the SSRSB and $27,500 for the TCRSB for a total of $170,500. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan's pension expense for the 2007 fiscal year, the expected benefit asset as at March 31, 2007 and a reconciliation of the accrued benefit asset as at March 31, 2007.

Pension Expense:	South Shore	Tri-County	Total plan
Current service cost (net of employee Contributions)	$ 290,600	$ 231,900	$ 522,500
Amortization of actuarial losses(gains)	38,700	10,900	49,600
Pension Interest expense			
Interest cost on the Accrued Benefit Obligation	397,300	69,100	466,400
Expected return on Plan Assets	(452,100)	(75,400)	(527,500)
Total 2006 pension expense	$ 274,500	$ 236,500	$ 511,000

Development of Accrued Benefit Asset as at March 31, 2007

CUPE	South Shore	Tri-County	Total plan
Accrued Benefit Asset (liability) as at March 31, 2006	$ 196,600	$ 82,900	$ 279,500
Fiscal 2007 expense (income)	(274,500)	(236,500)	(511,000)
Fiscal 2007 School Board Contributions	278,300	214,300	492,600
Accrued Benefit Asset (liability) as at March 31, 2007	$ 200,400	$ 60,700	$ 261,100

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

4. Defined benefit pension plans (continued)

Reconciliation of the Accrued Benefit Asset as at March 31, 2007

	South Shore	Tri-County	Total plan
Assets	$ 8,260,100	$1,591,700	$ 9,851,800
Accrued Benefit Obligation	8,403,100	1,619,200	10,022,300
Funded status as at March 31, 2007	(143,000)	(27,500)	(170,500)
Less: unamortized actuarial gains	284,700	43,300	328,000
Plus: Employer Contributions January to March 2007	58,700	44,900	103,600
Accrued Benefit Asset as at March 31, 2007	$ 200,400	$ 60,700	$ 261,100

Major assumptions regarding the CUPE pension plan are as follows:

Discount rate	
- effective April 1, 2006 and later	5%
- up to and including March 31, 2006	6%
Expected rate of return on plan assets	6%
Annual salary increases	3%
Interest credited on employee contributions	6%
Retirement age	65 years

Support staff defined benefit pension plan.

The Support Staff pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2006 and 2007. The accrued benefit asset was adjusted to March 31, 2007 by including employer contributions made between January and March of 2007. The actuarial valuation projects a deficit of $636,800 for the SSRSB and a deficit of $62,400 for the TCRSB for a total deficit of $699,200. Plan assets are recorded at market value. The Board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan's pension expense for the 2007 fiscal year, expected benefit asset as at March 31, 2007 and a reconciliation of the accrued benefit asset as at March 31, 2007.

March 31, 2007 Expense **Support Staff:**	South Shore	Tri-County	Total plan
Pension Expenditure/Expense:			
Current Service Cost (net of employee contributions)	$ 459,800	$ 195,100	$ 654,900
Amortization of actuarial losses	56,600	6,500	63,100
Pension Interest expenditure/expense:			
Interest cost on accrued benefit obligation	$ 462,700	$ 39,800	$ 502,500
Expected return on plan assets	(477,700)	(42,800)	(520,500)
Total fiscal 2007 pension expense	$ 501,400	$ 198,600	$ 700,000

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

4. Defined benefit pension plans (continued)

Development of Accrued Benefit (Liability) as at March 31, 2007

Support Staff:	South Shore	Tri-County	Total plan
Accrued benefit asset (liability) as at March 31, 2006	$ (375,800)	$ 46,500	$ (329,300)
Fiscal 2007 (expense) income	(501,400)	(198,600)	(700,000)
Fiscal 2007 school board contributions	530,800	206,400	737,200
Accrued benefit asset (liability) as at March 31, 2007	$ (346,400)	$ 54,300	$ (292,100)

Reconciliation of the Accrued Benefit Asset as at March 31, 2007

Support Staff	South Shore	Tri-County	Total plan
Assets	$ 9,285,700	$ 909,700	$ 10,195,400
Accrued benefit obligation	9,922,400	972,000	10,894,400
Funded status as at March 31, 2007	(636,700)	(62,300)	(699,000)
Less: unamortized actuarial losses (gains)	197,400	82,000	279,400
Plus: employer contributions January to March 2007	92,900	34,600	127,500
Accrued benefit assets (liability) as at March 31, 2007	$ (346,400)	$ 54,300	$ (292,100)

Major assumptions regarding the Support Staff pension plan are as follows:

Discount rate	
- effective April 1, 2006 and later	5%
- up to and including March 31, 2006	6%
Expected rate of return on plan assets	6%
Annual salary increases	3%
Interest credited on employee contributions	6%
Retirement age	60 years

Defined benefit pension plans (continued)

The combined Defined Benefit Pension Plans for the South Shore Regional School Board is recorded on the balance sheet as follows:

Accrued Benefit Liability – March 31, 2007	$ 146,000
Accrued Benefit Liability – March 31, 2006	$ 179,200

Other pension plans

The School Board's teaching staff is covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. Some non-teaching employees are covered by a multi-employer pension plan by the Nova Scotia School Board Association. This plan contains both a defined benefit plan and a defined contribution plan. The pension costs and obligations related to these plans are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

5. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or for expenditures for specifically, designated purposes.

6. Contractual Obligations

Minimum payments over the next five years are as follows:

	Rental Leases	Copier Leases	Total
2008	$ 200,155	$ 79,405	$ 279,559
2009	221,435	32,973	254,408
2010	212,961	16,784	229,746
2011	212,961	13,361	226,322
2012	212,961		212,961
Total	$ 1,060,473	$ 142,523	$ 1,202,996

7. Legal

There are no known claims and possible claims outstanding against the Board as of the audit report date.

8. Commitments and contingencies

Service Awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Queens District - 0.45 of 1% of a TC5 - MAX per year of service (maximum 35 years)
Lunenburg District - $200 per year of service (maximum 35 years)

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and the Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

South Shore Regional School Board
Notes to the Financial Statements
March 31, 2007

8. Commitments and contingencies (continued)

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.

Continuity of Service Award Allowance Liability	**March 31, 2007**	March 31, 2006
Opening benefit obligation, beginning of the year	**$ 1,801,600**	$ 1,787,500
Current service cost	**209,500**	143,700
Interest on obligation	**70,400**	104,400
Less: benefits paid	**(863,3800)**	(258,700)
Actuarial gains	**1,878,700**	24,700
Closing benefit obligation, end of year	**3,096,400**	1,801,600
Pension assets, at market related values	**0**	0
Funded status – surplus (deficiency)	**(3,096,400)**	(1,801,600)
Unamortized actuarial (gains) losses	**708,247**	(1,273,906)
Accrued benefit asset (liability)	**$ (2,388,153)**	$ (3,075,506)

Collective agreements

The collective agreement with the Nova Scotia Government Employees Union expired on March 31, 2006. There has been no contract settlement as of the time the financial statements were prepared, however an accrual has been recorded for the estimated increase.

SEIU & CUPE collective agreements expired on March 31, 2007. As at the date of the financial statement preparation, no settlements have been reached.

Sick leave

The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave as the liability cannot be reasonably estimated.

9. Bank Indebtedness

The Board had an operating line of credit of $602,000, as of March 31, 2007, with the Bank of Montreal. As of March 31, 2007, this line of credit has not been utilized.

10. Comparative Figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statements presentation adopted for the current year.

Financial Statements of

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

March 31, 2007

Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
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Halifax NS B3J 3R7
Canada

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Independent Auditors' Report

To the Chair and Members of the Board of Directors of the
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South West Nova District Health Authority as at March 31, 2007 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Halifax, Nova Scotia
June 15, 2007

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Statement of Financial Position

March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
ASSETS				
Current				
Cash and cash equivalents	$ 85,195	$ 1,485,864	$ 1,571,059	$ -
Accounts receivable (Note 3)	6,114,638	241,673	6,356,311	9,084,969
Inventory	1,034,472	-	1,034,472	1,013,428
Prepaid expenses	682,216	-	682,216	823,431
	7,916,521	1,727,537	9,644,058	10,921,828
Long-term assets (Note 4)	6,578,136	-	6,578,136	6,078,526
Property, plant and equipment (Note 5)	-	69,479,207	69,479,207	69,720,918
	$ 14,494,657	$ 71,206,744	$ 85,701,401	$ 86,721,272
LIABILITIES				
Current				
Bank indebtedness	$ -	$ -	$ -	$ 887,049
Accounts payable and accrued liabilities (Note 7)	6,531,823	399,254	6,931,077	7,354,156
Revenue received in advance	1,602,182	-	1,602,182	3,656,152
	8,134,005	399,254	8,533,259	11,897,357
Employee future benefits (Note 12)	6,350,036	-	6,350,036	5,595,556
Deferred capital grants (Note 8)	-	70,796,845	70,796,845	69,067,991
	14,484,041	71,196,099	85,680,140	86,560,904
FUND BALANCES				
Restricted	10,616	10,645	21,261	80,862
Unrestricted	-	-	-	79,506
	10,616	10,645	21,261	160,368
	$ 14,494,657	$ 71,206,744	$ 85,701,401	$ 86,721,272

Commitments (Note 9)

APPROVED BY THE BOARD

……………………………………Chair

GERALD A. POTTIER.

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Statement of Changes in Fund Balances

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
Restricted fund balances				
Balance, beginning of year	$ 70,217	$ 10,645	$ 80,862	$ 80,862
Allocation for 2006/2007 operating deficit	(59,601)	-	(59,601)	-
Balance, end of year	10,616	10,645	21,261	80,862
Unrestricted fund balances				
Balance, beginning of year	(77,748)	157,254	$ 79,506	148,622
Excess (deficiency) of revenues over expenses	77,748	(157,254)	(79,506)	(69,116)
Balance, end of year	-	-	-	79,506
Total fund balances	$ 10,616	$ 10,645	$ 21,261	$ 160,368

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Statement of Operations

Year ended March 31, 2007

	Operating Fund	Capital Fund	2007 Total	2006 Total
Revenues				
Department of Health	$ 64,760,583	$ (93,896)	$ 64,666,687	$ 60,116,510
Veterans Affairs Canada	1,496,837	-	1,496,837	1,428,521
Patient services	1,490,427	-	1,490,427	1,474,823
Physician funding	1,983,580	-	1,983,580	2,700,525
Program recoveries	8,552,947	-	8,552,947	5,951,710
Amortization of deferred capital grants	-	4,330,545	4,330,545	3,576,559
Other	911,664	289	911,953	776,670
	79,196,038	4,236,938	83,432,976	76,025,318
Expenses				
Addiction	1,980,626	-	1,980,626	1,524,215
Administration and support	2,542,848	-	2,542,848	2,524,719
Amortization of property, plant and equipment	-	4,394,192	4,394,192	3,662,970
Diagnostic imaging	3,615,870	-	3,615,870	3,247,852
Employee future benefits	1,320,946	-	1,320,946	713,806
Environmental	3,237,796	-	3,237,796	3,068,820
Finance	805,716	-	805,716	756,266
Food and nutrition	5,050,515	-	5,050,515	4,853,029
Health information	1,895,024	-	1,895,024	1,813,717
Human resources	618,912	-	618,912	552,145
Information technology	1,697,220	-	1,697,220	1,640,736
Laboratory	5,199,498	-	5,199,498	4,807,171
Materials management	1,780,784	-	1,780,784	1,640,833
Mental health	4,591,514	-	4,591,514	4,252,248
Nursing	27,947,045	-	27,947,045	26,216,909
Other programs	5,716,666	-	5,716,666	4,160,573
Pharmacy	849,799	-	849,799	766,498
Plant and support	5,158,427	-	5,158,427	4,882,608
Public health	2,924,801	-	2,924,801	2,291,228
Rehabilitation	1,282,680	-	1,282,680	1,102,350
Sundry	901,603	-	901,603	1,615,741
	79,118,290	4,394,192	83,512,482	76,094,434
Excess (deficiency) of revenues over expenses	$ 77,748	$ (157,254)	$ (79,506)	$ (69,116)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Statement of Cash Flows

Year ended March 31, 2007

	Operating Fund	**Capital Fund**	**2007 Total**	**2006 Total**
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating				
Excess (deficiency) of revenues over expenses	$ 77,748	$ (157,254)	$ (79,506)	$ (69,116)
Adjusted for:				
Amortization of property, plant and equipment	-	4,394,192	4,394,192	3,662,970
Amortization of deferred capital grants	-	(4,330,545)	(4,330,545)	(3,576,559)
Allocation for 2006/2007 operating deficit	(59,601)	-	(59,601)	-
Employee future benefits (Note 12)	1,320,946	-	1,320,946	713,806
Payment of employee future benefits (Note 12)	(566,466)	-	(566,466)	(547,636)
Changes in non-cash working capital items (Note 11)	(1,877,205)	2,248,985	371,780	(1,383,386)
	(1,104,578)	2,155,378	1,050,800	(1,199,921)
Financing				
Proceeds from capital grants (Note 8)	-	6,059,399	6,059,399	4,024,421
Investing				
Investment in long-term assets	(499,610)	-	(499,610)	(364,881)
Acquisition of property, plant and equipment	-	(4,152,481)	(4,152,481)	(3,854,260)
	(499,610)	(4,152,481)	(4,652,091)	(4,219,141)
NET CASH (OUTFLOW) INFLOW	(1,604,188)	4,062,296	2,458,108	(1,394,641)
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), BEGINNING OF YEAR	1,689,383	(2,576,432)	(887,049)	507,592
CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR	$ 85,195	$ 1,485,864	$ 1,571,059	$ (887,049)
Supplemental cash flow information:				
Interest received	$ 89,045	$ -	$ 89,045	$ 1,039

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The South West Nova District Health Authority's mission: "Work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services."

The facilities owned and operated by the South West Nova District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the South West Nova District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

The South West Nova District Health Authority is a registered charity under the Income Tax Act of Canada and, therefore, is exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purpose and endowment funds.

Revenue recognition

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted capital fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank indebtedness, balances with banks and money market investments.

Inventory

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

2. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 – 10%
Building and building service equipment	2.5 – 10%
Equipment	5 – 33%

Deferred capital grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

Employee future benefits

Employee future benefits are determined based on assumptions as outlined in Note 12 and recognized in the period in which benefits are earned by the employee.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the year then ended. Significant estimates used by management in preparing these financial statements include amounts estimated for final accounts receivable settlements from Veterans Affairs Canada, amounts estimated for accounts receivable from the Department of Health for wage contract settlements, allowances for doubtful accounts, inventory valuations, and the estimated useful life for certain items of property, plant and equipment. Actual results may differ from those estimates.

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

3. ACCOUNTS RECEIVABLE

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Department of Health				
- operating funding	$ 2,419,224	$ -	$ 2,419,224	$ 2,769,161
- transition support program	8,497	-	8,497	8,497
- capital grants	-	56,233	56,233	2,038,913
Patient care	522,876	-	522,876	551,193
HST rebates	262,755	50,685	313,440	770,058
Extended care facilities	1,672,672	-	1,672,672	1,905,649
Homecare/VON	17,347	-	17,347	50,444
Charitable foundations	15,045	134,755	149,800	149,287
Psychiatric recoveries	71,640	-	71,640	81,816
Other	1,124,582	-	1,124,582	759,951
	$ 6,114,638	$ 241,673	$ 6,356,311	$ 9,084,969

4. LONG-TERM ASSETS

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Payroll advances	$ 149,850	$ -	$ 149,850	$ 174,262
Employee future benefits	6,428,286	-	6,428,286	5,904,264
	$ 6,578,136	$ -	$ 6,578,136	$ 6,078,526

5. PROPERTY, PLANT AND EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 34,603	$ -	$ 34,603	$ 34,603
Land improvements	827,850	163,604	664,246	672,705
Building and building service equipment	93,716,002	30,557,295	63,158,707	63,938,583
Equipment	26,725,571	21,103,920	5,621,651	5,075,027
	$ 121,304,026	$ 51,824,819	$ 69,479,207	$ 69,720,918

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

6. CREDIT FACILITIES

The South West Nova District Health Authority has available an operating line of credit with a Canadian chartered bank totalling $4.4 million. As of March 31, 2007, interest charges on any overdraft accounts are at prime less .75%. There was no amount on the operating line as at March 31, 2007.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Trade payables	$ 1,229,107	$ 399,254	$ 1,628,361	$ 1,580,858
Accrued liabilities	1,364,196	-	1,364,196	1,183,170
Vacation pay	672,882	-	672,882	943,131
Salary and benefits	3,110,045	-	3,110,045	3,542,706
Other	155,593	-	155,593	104,291
	$ 6,531,823	$ 399,254	$ 6,931,077	$ 7,354,156

8. DEFERRED CAPITAL GRANTS

	2007	2006
Balance, beginning of year	$ 69,067,991	$ 68,620,129
Grants received for:		
Capital assets purchased	3,768,286	3,848,400
Future capital asset purchases	2,291,113	176,021
	75,127,390	72,644,550
Amortization of deferred capital grants	(4,330,545)	(3,576,559)
Balance, end of year	$ 70,796,845	$ 69,067,991

9. COMMITMENTS

Leases and purchase commitments

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

2008	$ 1,151,528
2009	899,386
2010	690,148
2011	138,174
2012	103,631
	$ 2,982,867

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

10. PENSION PLAN

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was December 31, 2005 and showed an unfunded liability for the entire plan of $Nil.

The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was December 31, 2005. At that time, there was an unfunded liability.

The South West Nova District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2007 was $2,857,587 (2006 - $2,433,916).

11. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2007			2006
	Operating Fund	Capital Fund	Total	Total
Accounts receivable	$ 293,328	$ 2,435,330	$ 2,728,658	$ (1,676,895)
Inventory	(21,044)	-	(21,044)	(23,161)
Prepaid expenses	141,215	-	141,215	(67,021)
Accounts payable and accrued liabilities	(236,734)	(186,345)	(423,079)	(56,492)
Revenue received in advance	(2,053,970)	-	(2,053,970)	440,183
	$ (1,877,205)	$ 2,248,985	$ 371,780	$ (1,383,386)

12. EMPLOYEE FUTURE BENEFITS

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority, upon retirement. The District participates in an unfunded benefit plan and accrues its obligations and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using "the projected benefit method pro-rated on service".

The measurement date for the accrued benefit obligation, as calculated in the District's last actuarial valuation for post retirement benefits, was performed in December of 2005 and its' last actuarial valuation for post retirement health benefits was performed in April of 2006.

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY OPERATING AS SOUTH WEST HEALTH

Notes To The Financial Statements

March 31, 2007

12. EMPLOYEE FUTURE BENEFITS (continued)

	2007	2006
Accrued benefit liability		
Accrued benefit obligation	$ 5,935,912	$ 6,046,984
Add unamortized actuarial experience gain (loss)	414,124	(451,428)
Accrued benefit liability on the statement of financial position	$ 6,350,036	$ 5,595,556
Net benefit costs recognized		
Current service costs	$ 378,400	$ 311,221
Plan amendments	536,400	-
Interest cost	360,100	348,100
Current year amortized actuarial loss	46,046	54,485
Employee future benefits expense on the statement of operations	$ 1,320,946	$ 713,806
Payment of employee future benefits on the statement of cash flows	$ (566,466)	$ (547,636)

The discount rate used to accrue the benefit obligation and current service cost as at March 31, 2007 was 5.70% (2006 – 5.95%).

13. FINANCIAL INSTRUMENTS

Fair value

The reported values of financial instruments which consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and revenue received in advance approximate their fair values due to the near term maturity of these instruments.

Credit risk

The South West Nova District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2007.

Strait Regional School Board

Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chairperson and Members of the Board of
The Strait Regional School Board

We have audited the statements of financial position of the Strait Regional School Board as at March 31, 2007, and the related statements of operations and accumulated deficit, change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with all school boards in Nova Scotia, the School Board derives revenue from school generated funds, the completeness of which is not susceptible of satisfactory audit verification. As well, because of an absence of reliable accounting records, we have been unable to verify the accuracy of expenditures from school funded activities. Accordingly, our verification of these revenues and expenditures was limited to the amounts recorded in the records of the schools in which these funds were held and we have been unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and expenditures referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Port Hawkesbury, Nova Scotia
May 25, 2007

Grant Thornton LLP
Chartered Accountants

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Strait Regional School Board
Statement of Financial Position

March 31	2007	2006
Financial assets		
Cash and cash equivalents	$ 4,061,716	$ 4,841,622
Receivables		
Province of Nova Scotia	7,025,194	6,007,465
Municipal councils	241,975	91,588
Government of Canada	493,405	148,383
Local First Nations	180,000	112,560
Other	1,681,396	1,051,161
Total financial assets	13,683,686	12,252,779
Liabilities		
Payables and accruals - trade	5,501,594	4,374,547
Payables and accruals - government		
Province of Nova Scotia	30,180	89,624
Municipalities	9,348	6,160
Deferred revenues	762,316	672,695
Retirement service awards (Note 4)	3,771,783	4,351,535
Total liabilities	10,075,221	9,494,561
Net assets	3,608,465	2,758,218
Non-financial assets		
Capital assets (net of depreciation)		
School buildings and improvements	2,144,710	2,257,590
Motor vehicles	123,688	107,127
Equipment and furnishings	245,078	306,349
	2,513,476	2,671,066
Prepaids	585,902	660,701
	3,099,378	3,331,767
Accumulated surplus (Note 10)	$ 6,707,843	$ 6,089,985

On behalf of the Board

_____________________________ Chairperson

_____________________________ Superintendent

See accompanying notes to the consolidated financial statements.

Strait Regional School Board
Statement of Operations

Year Ended March 31		2007	2006
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia	$ 60,709,020	$ 62,266,792	$ 58,230,056
Government of Canada	143,175	169,233	153,197
Local First Nations	1,050,000	1,236,958	1,086,324
Municipal contributions	10,285,500	10,285,539	9,835,270
Other revenues	3,720,046	4,634,148	3,925,832
School generated funds		2,017,501	2,025,204
	75,907,741	80,610,171	75,255,883
Expenditure			
Board governance	289,713	291,168	281,110
Regional management	2,301,059	2,279,112	1,996,486
School management and support	6,090,013	5,967,872	5,685,217
Instructional and school services	36,764,598	36,361,057	35,833,460
Student support	9,153,046	9,389,027	8,202,047
Property services	13,094,078	15,553,686	12,706,976
Student transportation	6,446,984	6,146,653	5,918,830
Other programs	1,768,250	1,620,237	1,000,925
Interest expense		268,800	325,800
School generated funds		1,873,951	1,984,579
Depreciation expense		240,750	253,092
	75,907,741	79,992,313	74,188,522
School Board annual surplus	$	$ 617,858	$ 1,067,361

Accumulated surplus (Note 10)	2007	2006
Balance, beginning of year	$ 6,089,985	$ 5,022,624
School Board annual surplus	617,858	1,067,361
Balance, end of year	$ 6,707,843	$ 6,089,985

See accompanying notes to the consolidated financial statements.

Strait Regional School Board
Statement of Change in Net Assets

Year Ended March 31	2007	2006
	Actual	Actual
Net assets, beginning of year	$ 2,758,218	$ 1,519,862
Changes in the year		
Annual surplus	617,858	1,067,361
Acquisition of tangible capital assets	(83,160)	(87,349)
Depreciation of tangible capital assets	240,750	253,092
Decrease (increase) in prepaids	74,799	5,252
Increase in net assets	850,247	1,238,356
Net assets, end of year	$ 3,608,465	$ 2,758,218

See accompanying notes to the consolidated financial statements.

Strait Regional School Board
Statement of Cash Flows

Year Ended March 31	2007	2006
Operating transactions		
Annual surplus	$ 617,858	$ 1,067,361
Non cash items included in annual surplus		
Depreciation	240,750	253,092
(Increase) decrease in receivables	(2,210,813)	1,130,929
Increase in payables	1,070,791	158,099
Decrease in retirement service awards	(579,752)	(86,856)
Decrease (increase) in prepaids	74,799	5,252
Increase in deferred revenue	89,621	305,072
Cash provided by operating transactions	(696,746)	2,832,949
Capital transactions		
Acquisition of tangible capital assets	(83,160)	(87,349)
Cash applied to capital transactions	(83,160)	(87,349)
(Decrease) increase in cash and cash equivalents	(779,906)	2,745,600
Cash and cash equivalents, beginning of year	4,841,622	2,096,022
Cash and cash equivalents, end of year	$ 4,061,716	$ 4,841,622

See accompanying notes to the consolidated financial statements.

Strait Regional School Board
Notes to the Financial Statements

March 31, 2007

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond, and Antigonish counties.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

(a) Accrual basis of accounting

Revenues are recorded on the accrual basis of accounting. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada, and Municipal Contributions.

Expenses are recorded on the accrual basis of accounting and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

(b) Financial assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principal amount less valuation allowances.

(c) Net Assets

Net assets represents the direct liabilities of the Board less financial assets.

(d) Non Financial assets

Tangible capital assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources, or works of art and historical treasures.

Strait Regional School Board
Notes to the Financial Statements
March 31, 2007

2. Summary of significant accounting policies (continued)

Non Financial assets (continued)

Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	$ 250,000
Leasehold improvements	$ 250,000
Computer hardware	$ 25,000
Motor vehicles	$ 15,000
Major equipment	$ 50,000

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time, as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

(e) Accumulated surplus

Accumulated surplus represents the liabilities of the School Board less financial assets, and non financial assets. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

(f) Reserves and reserve funds

Reserves and reserve funds represent funds appropriated for general and specific purposes. Reserves are charged or credited to the reserve fund as a part of the accumulated surplus and are not reported on the statement of operations in the year appropriated or drawn.

(g) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students. In addition to these scholarships, individual schools and their students raise funds for various specific activities or projects. These funds can only be used for these designated activities and are thus shown as trust funds. Trust fund assets administered by the School Board are identified in Schedule C.

Strait Regional School Board
Notes to the Financial Statements
March 31, 2007

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are depreciated using the declining balance method at the following rates:

Buildings	5%
Equipment	20%
Motor vehicles	35%

Financial instruments

The Strait Regional School Board's financial instruments consist of cash and cash equivalents, receivables, and payables and accruals. Unless otherwise noted, it is management's opinion that the School Board is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair market value of these financial instruments approximates their carrying values.

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Reserves

The Board has provided for reserves at year end for the following purposes, and these amounts are included in the reserve fund as at March 31, 2007:

Maintenance and equipment	$ 1,011
Program enhancements	127,221
	$ 128,232

4. Retirement service awards

Many Board employees are entitled to receive service awards of varying amounts, depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

Strait Regional School Board
Notes to the Financial Statements

March 31, 2007

5. Pension plans

Teachers

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

6. Bank indebtedness

The Board has an operating line of credit of $600,000.

7. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

8. Comparative figures

Certain of the 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

9. Contingency

During the year, the Board has expended $337,449 in environmental clean up costs relating to oil contamination on one of its sites. As at May 25, 2007, it is unknown whether any additional costs will be incurred relating to this matter, as it is unclear whether any additional properties have been contaminated and what party is liable. The Board is currently undergoing an environmental site assessment to determine these unknown factors. No additional amounts have been recorded in these financial statements relating to this contingency.

Strait Regional School Board
Notes to the Financial Statements

March 31, 2007

10. Accumulated surplus	2007	2006
Operating fund	$ 3,205,385	$ 2,542,954
School generated funds	860,750	717,200
Reserve fund	128,232	158,765
Capital fund	2,513,476	2,671,066
	$ 6,707,843	$ 6,089,985
Operating fund		
Balance, beginning of year	$ 2,542,954	$ 581,393
School Board annual surplus	617,858	1,067,361
	3,160,812	1,648,754
Transfer to school generated funds	(143,550)	(40,625)
Transfer from reserve fund	30,533	769,082
Transfer to reserve fund		
Transfer from capital fund	240,750	253,092
Transfer to capital fund	(83,160)	(87,349)
Balance, end of year	$ 3,205,385	$ 2,542,954
School Generated Funds		
Balance, beginning of year	$ 717,200	$ 676,575
Transfer from operating fund	143,550	40,625
Balance, end of year	$ 860,750	$ 717,200
Reserve Fund		
Balance, beginning of year	$ 158,765	$ 927,847
Transfer to operating fund	(30,533)	(769,082)
Transfer from operating fund		
Balance, end of year	$ 128,232	$ 158,765
Capital Fund		
Balance, beginning of year	$ 2,671,066	$ 2,836,809
Transfer to operating fund	(240,750)	(253,092)
Transfer from operating fund	83,160	87,349
Balance, end of year	$ 2,513,476	$ 2,671,066

Strait Regional School Board

Schedule A – Supplementary Details of Revenue

Year Ended March 31	2007		2006
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia			
Operating	$ 49,820,600	$ 48,338,822	$ 48,765,555
Accrued wages and vacation		1,433,863	1,459,538
Restricted	8,707,525	8,879,129	5,519,387
Capital	1,422,000	2,824,173	1,997,381
Special programs and projects	758,895	790,806	488,195
	$ 60,709,020	$ 62,266,792	$ 58,230,056
Government of Canada			
Secretary of State	$ 143,175	$ 166,977	$ 153,197
Human Resources and Development Canada		2,256	
	$ 143,175	$ 169,233	$ 153,197
Board operations			
Board generated - other	$ 5,000	$ 6,471	$ 11,374
Other revenue - schools	1,062,810	1,786,943	1,223,867
Rentals	74,340	95,016	90,500
Investment income	130,000	297,822	152,195
Recoveries – non-governmental	2,447,896	2,447,896	2,447,896
	$ 3,720,046	$ 4,634,148	$ 3,925,832

See accompanying notes to the consolidated financial statements.

Strait Regional School Board

Schedule B – Supplementary Details of Expenditure

Year Ended March 31

	2007 Budget	2007 Actual	2006 Actual
Board Governance			
Board members	$ 198,365	$ 198,926	$ 187,729
Board secretary	36,202	37,096	34,497
NSSBA and other	55,146	55,146	58,884
	$ 289,713	$ 291,168	$ 281,110
Regional Management			
Management services	$ 973,366	$ 841,605	$ 733,766
Vacation accrual		112,084	108,227
Financial services	730,417	753,800	653,557
Human resource services	505,732	484,282	414,426
Communication services	91,544	87,341	88,510
	$ 2,301,059	$ 2,279,112	$ 1,998,486
School Management and Support			
School management	$ 4,113,327	$ 4,062,282	$ 3,869,619
Accrued wages – NSTU		73,375	73,375
Vacation accrual		3,655	3,655
Program and curriculum support	1,475,887	1,386,006	1,128,542
ITS – site specific	500,799	442,554	610,026
	$ 6,090,013	$ 5,967,872	$ 5,685,217
Instructional and School Services			
Instruction	$ 34,948,589	$ 33,341,581	$ 32,974,412
Guidance services	980,857	1,108,439	961,197
Accrued wages – NSTU		1,117,000	1,117,000
Library services	835,152	794,037	780,851
	$ 36,764,598	$ 36,361,057	$ 35,833,460
Student Support			
Program management	$ 416,867	$ 460,513	$ 325,339
Instruction	7,920,834	8,015,392	7,108,573
Program and curriculum support	815,345	913,122	768,135
	$ 9,153,046	$ 9,389,027	$ 8,202,047

See accompanying notes to the consolidated financial statements.

Strait Regional School Board

Schedule B – Supplementary Details of Expenditure

Year Ended March 31	2007		2006
	Budget	Actual	Actual
Property Services			
Management services	$ 272,675	$ 300,838	$ 272,082
Custodial services	3,265,798	3,294,278	3,132,351
Maintenance services	8,796,983	11,176,594	8,534,032
Vacation accrual		129,218	151,667
Grounds services	758,622	752,763	616,844
	$ 13,094,078	$ 15,653,686	$ 12,706,976
Student transportation			
Management services	$ 417,685	$ 419,756	$ 401,357
Transportation (Board)	3,402,166	3,259,176	3,207,234
Maintenance (Board)	2,452,945	2,270,738	2,132,337
Vacation accrual		72,193	79,601
Transportation (Contract)	84,000	62,784	59,120
Site maintenance	90,188	62,009	39,181
	$ 6,446,984	$ 6,146,653	$ 5,918,830

See accompanying notes to the consolidated financial statements.

Strait Regional School Board

Schedule C – Supplementary Details of Trust Funds

Year Ended March 31, 2007

Trust fund - Scholarships

	Equity 2006	Donations & Income	Awards	Equity 2007
Catherine Avery Bursary	$ 2,028	$ 77		$ 2,105
Allistair Fraser Award	7,069	270	$ 1,000	6,339
Ray Caldwell Scholarship	5,226	200		5,426
Dorothy Jost Drysdale Scholarship	2,262	86	100	2,248
Roy Fanning-Hillside Bursary	9,859	376	1,400	8,835
Norman Grant Scholarship	21,201	809		22,010
Carol Long Scholarship	10,638	406		11,044
NSP Employees Scholarship	18,642	712	420	18,934
James Russell Scholarship	1,934	74	400	1,608
Mulgrave Bursary Fund	2,044	78		2,122
Bertha Morgan Scholarship	1,198	46		1,244
Henry Marshall Tory Prize	108,386	9,136	3,000	114,522
James Tory Prize	40	1,001	1,000	41
Paul Hendsbee Memorial	466	18	250	234
Donald Archibald Memorial	1,080	41		1,121
Neil & Eileen MacIsaac Bursary	2,653	85	150	2,588
Thomas Williams Prize	5,180	200		5,380
Tina Munro Hickey Prize	10,021	508	555	9,974
Jesse Scales Memorial	2,376	91		2,467
	$ 212,303	$ 14,214	$ 8,275	$ 218,242

Strait Regional School Board

Schedule D – Supplementary Details of School Generated Funds

Year Ended March 31, 2007

	Equity March 31, 2006	Revenue & Interest	Disbursements	Equity March 31, 2007
Antigonish Education Centre	$ 106,888	$ 52,959	$ 46,099	$ 113,748
Bayview Education Centre	10,265	51,302	41,109	20,458
Canso Academy	20,339	28,764	32,599	16,504
Cape Breton Highlands Academy/ Education Centre	43,912	145,497	140,338	49,071
Chedabucto Place	27,469	103,137	92,946	37,660
Dalbrae Academy	57,459	157,055	141,261	73,253
Dr. J.H. Gillis Regional	35,892	129,389	112,692	52,589
East Antigonish Academy/ Education Centre	60,354	135,741	111,246	84,849
East Richmond Education Centre (P-4)	4,611	20,665	20,966	4,310
East Richmond Education Centre (5-8)	20,609	81,806	83,194	19,221
Fanning Education Centre	16,945	23,571	26,252	14,264
Felix Marchand Education Centre	5,997	41,578	42,385	5,190
H.M. MacDonald Elementary School	1,931	14,321	13,432	2,820
Inverness Academy	37,915	101,403	84,417	54,901
Inverness Education Centre	13,995	13,555	16,594	10,956
Mulgrave Memorial Education Centre	6,961	26,228	24,134	9,055
Rev. H.J. MacDonald Elementary Centre	4,567	29,565	30,100	4,032
Richmond Academy	22,412	152,248	162,399	12,261
SAERC	50,574	287,750	283,625	54,699
St. Andrew's Consolidated School	10,329	18,380	14,312	14,397
St. Andrew Junior High	92,402	97,294	121,107	68,589
St. Mary's Academy	20,527	43,852	31,941	32,438
St. Mary's Education Centre	1,462	41,033	30,253	12,242
Tamarac Education Centre	10,154	93,631	70,950	32,835
West Richmond Education Centre	21,831	72,822	53,898	40,755
Whycocomagh Education Centre	11,400	53,955	45,702	19,653
	$ 717,200	$2,017,501	$1,873,951	$ 860,750

See accompanying notes to the consolidated financial statements.

Strait Regional School Board

Schedule E – Supplementary Details of Capital Assets

Year Ended March 31, 2007

	Buildings	Equipment	Vehicles	2007	2006
Cost					
Opening	$ 3,141,287	$ 1,291,709	$ 330,634	$ 4,763,630	$ 4,676,281
Additions			83,160	83,160	87,349
Closing	3,141,287	1,291,709	413,794	4,846,790	4,763,630
Accumulated Depreciation					
Opening	883,697	985,361	223,506	2,092,564	1,839,472
Depreciation	112,880	61,270	66,600	240,750	253,092
Closing	996,577	1,046,631	290,106	2,333,314	2,092,564
Net Book Value	2,144,710	245,078	123,688	2,513,476	2,671,066
Opening Balance	2,257,590	306,348	107,128	2,671,066	2,836,809
(Decrease) Increase in Net Book Value	$ (112,880)	$ (61,270)	$ 16,560	$ (157,590)	$ (165,743)

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2007

Nash & Associates
Chartered Accountants

Nash &
Associates
Chartered Accountants

Nash & Associates
282 George Street, Sydney, Nova Scotia B1P 1J6
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contact@nash-associates.ca

AUDITORS' REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

We have audited the balance sheet of **Sydney Environmental Resources Limited** for the year ended March 31, 2007 and the statements of operations and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

Nash & Associates

July 11, 2007

Chartered Accountants

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
BALANCE SHEET
AS AT MARCH 31, 2007

	2007	2006
ASSETS		
Current		
Cash	$ 82,058	$ 434,161
Accounts receivable	5,371	135,755
Prepaid expenses	0	11,774
	$ 87,429	$ 581,690
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 19,370	$ 161,250
Due to Sydney Steel Corporation (Note 3)	68,058	394,710
	87,428	555,960
EQUITY		
Share capital (Note 4)	1	1
Retained earnings	0	25,729
	1	25,730
	$ 87,429	$ 581,690

Approved by the Board

....Director

....Director

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Sydney Steel Corporation	$ 2,734,801	$ 4,388,388
Sydney Tar Ponds Agency	222,474	545,734
Other	9,741	42,086
	2,967,016	4,976,208
Expenditures		
Wages and benefits	2,958,245	4,919,784
Administration	34,500	43,585
	2,992,745	4,963,369
Excess of revenue over expenditures (expenditures over revenue)	(25,729)	12,839
Retained earnings, beginning of year	25,729	12,890
Retained earnings, end of year	$ 0	$ 25,729

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2007

	2007	2006
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue)	$ (25,729)	$ 12,839
Changes in non-cash operating working capital items		
Accounts receivable	130,384	80,462
Prepaid expenses	11,774	(11,774)
Accounts payable and accrued liabilities	(141,880)	114,147
Due to Sydney Steel Corporation	(326,652)	(164,008)
Change in cash position	(352,103)	31,666
Cash, beginning of year	434,161	402,495
Cash, end of year	$ 82,058	$ 434,161

SYDNEY ENVIRONMENTAL RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the Company changed its name from Sydney Tar Ponds Clean – Up Inc. to Sydney Environmental Resources Limited.

Its most recent objective was to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION AND ECONOMIC DEPENDENCE OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company earned the majority of its revenue from Province of Nova Scotia funded entities.

The Company ceased active operations on March 31, 2007.

3. RELATED PARTY TRANSACTIONS

The Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

Included in the statement of operations and retained earnings is revenue in the amount of $2,734,801 (2006 - $4,388,388) and administration expenses paid in the amount of $34,500 (2006 - $43,585) to Sydney Steel Corporation, a Crown Corporation controlled by the Province of Nova Scotia. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair market value.

4. SHARE CAPITAL

Authorized

50,000 common shares with no par value

Issued

1 share at $1	$ 1

Sydney Steel Corporation

Financial Statements
March 31, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
Canada B3J 3K8
Telephone +1 (902) 491 7400
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June 28, 2007

Auditors' Report

To the Shareholder of
Sydney Steel Corporation

We have audited the balance sheet of **Sydney Steel Corporation** ("the Corporation") as at March 31, 2007 and the statement of changes in net assets (net liabilities) in liquidation for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the changes in net assets in liquidation for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Sydney Steel Corporation

Balance Sheet

As at March 31, 2007

(in thousands of dollars)

	2007 $	2006 $
Assets		
Current assets		
Cash	5,027	1,178
Accounts receivable – trade	580	558
Receivable from the Province of Nova Scotia (note 3)	–	40,954
Receivable from Sydney Environmental Resources Limited (note 6)	68	395
Receivable from Nova Scotia Lands Inc.	300	–
Inventory	60	2,668
Prepaid expenses	187	223
Note receivable	534	–
	6,756	45,976
Property, plant and equipment (note 4)	631	1,185
	7,387	47,161
Liabilities		
Current liabilities		
Trade payables	786	1,393
Deposits and holdbacks payable	2,202	1,902
Payable to the Province of Nova Scotia (note 3)	13,375	–
	16,363	3,295
Net assets (net liabilities) in liquidation	(8,976)	43,866

Commitments (note 5)

Contingent liability (note 7)

Subsequent events (note 8)

See accompanying notes to financial statements.

Approved by the Board of Directors

_______________ Director _______________ Director

Sydney Steel Corporation

Statement of Changes in Net Assets (Net Liabilities) in Liquidation

For the year ended March 31, 2007

(in thousands of dollars)

	Closure activities $	Demolition and remediation activities $	Continuing activities $	Total 2007 $	Total 2006 $
Increases in net assets in liquidation					
Contributions from the Province of Nova Scotia (note 3)	1,265	9,156	–	10,421	9,413
Sale of scrap steel	–	8,053	–	8,053	–
Proceeds on disposal of assets	–	199	–	199	535
Rental income	–	–	680	680	548
Other income	713	78	73	864	855
Interest	–	–	142	142	121
	1,978	17,486	895	20,359	11,472
Decreases in net assets in liquidation					
Return of contributions from the Province of Nova Scotia (note 3)	–	58,751	–	58,751	–
Scrap processing	–	3,084	–	3,084	–
Demolition and remediation	–	5,038	53	5,091	4,002
General and administration	71	1,228	284	1,583	1,650
Salaries and wages	189	1,484	132	1,805	1,766
Property taxes	–	750	250	1,000	1,000
Professional fees	1,005	517	98	1,620	1,553
Electricity	–	217	50	267	307
	1,265	71,069	867	73,201	10,278
Increase (decrease) in net assets in liquidation	713	(53,583)	28	(52,842)	1,194
Net assets in liquidation – Beginning of year				43,866	42,672
Net assets (net liabilities) in liquidation – End of year				(8,976)	43,866

Sydney Steel Corporation

Notes to Financial Statements

For the year ended March 31, 2007

1 Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by special act of the Province of Nova Scotia.

2 Significant accounting policies

a) Basis of presentation

Effective December 31, 2000, the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2007 are valued at the lower of cost and net realizable value.

c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

Sydney Steel Corporation

Notes to Financial Statements

For the year ended March 31, 2007

2 Significant accounting policies (continued)

c) Mode and presentation of operations (continued)

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2007, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

d) Property, plant and equipment

Property, plant and equipment are amortized using the straight-line method at the following rates:

Building	20 years
Equipment	10 years
Vehicles	5 years
Leasehold improvements	5 years

e) Revenue recognition

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

f) Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities", "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

g) Foreign currency translation

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquation for the period.

Sydney Steel Corporation

Notes to Financial Statements

For the year ended March 31, 2007

3 Province of Nova Scotia

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- established the Sysco Decommissioning Fund to finance the closure, demolition and remediation obligations of the Corporation; and
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

During the period 2001-2006, the Province has provided contributions of $58,751,000 to the Corporation to fund certain closure, demolition and remediation expenditures. Upon further review in the current year, it was determined that the Corporation did not require these direct contributions due to better than expected recoveries on asset and scrap sales since the closure. As such, the Province directed the Corporation to return these contributions to the Sysco Decommissioning Fund (the "Fund"). The Fund will be utilized for future decommissioning, demolition and remediation of this Corporation's and adjacent sites.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support. Expenses incurred during the period for which the Corporation will receive reimbursements from the Sysco Decommissioning Fund include $1,265,000 in respect to closure activities and $9,156,000 in respect of demolition and remediation activities.

4 Property, plant and equipment

			2007	2006
	Cost $ (000's)	Accumulated amortization $ (000's)	Net book value $ (000's)	Net book value $ (000's)
Related to closure activities				
Land, buildings and equipment	441,298	441,297	1	1
Related to demolition and remediation activities				
Equipment	40	18	22	528
Vehicles	89	54	35	95
Related to continuing activities				
Building and leasehold improvements	691	118	573	561
Total	442,118	441,487	631	1,185

Amortization for the period of $111,000 (2006 - $111,000) is included in demolition and remediation costs and $118,000 (2006 – nil) is included in continuing costs.

Sydney Steel Corporation

Notes to Financial Statements

For the year ended March 31, 2007

4 Property, plant and equipment (continued)

During the year, the Corporation sold slag-processing equipment to Portside Aggregates Limited for proceeds of $534,000. The sale resulted in a gain of $78,000 which has been included in other income.

5 Commitments

a) Within the context of its redevelopment strategy, the Corporation, effective April 15, 2002, reached an agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.

b) In the prior year, the Corporation engaged a company to provide certain remediation services. The value of the contract is estimated at $4,100,000. For the year ended March 31, 2007, the Corporation incurred expenditures under this contract of approximately $1,290,000 (2006 – nil) which are included in demolition and remediation costs.

c) On March 30, 2007, the Corporation retained the services of Nova Scotia Lands Inc. to manage the remediation, redevelopment and byproduct operations to be conducted on Corporation lands and to provide other services as may be required. The agreement is for an initial two-year period.

6 Related party transactions

Included in the statement of changes in net assets in liquidation are charges for labour and materials of $2,735,000 (2006 - $4,388,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value.

7 Contingent liability

The Corporation is a defendant in a lawsuit alleging damages as a result of environmental contamination caused by years of steel making. This litigation is in its preliminary stages and the outcome is not currently predictable.

8 Subsequent events

On March 30, 2007, the Corporation entered into two agreements to sell certain land, buildings, equipment, vehicles and other assets to Sydney Utilities Limited and Harbourside Commercial Park Inc., companies that are owned by the Province of Nova Scotia. The agreements, which provide for proceeds of $9,700,650, allow for a 137-day escrow period during which approvals, funding and other closing conditions must be satisfied, otherwise they may be declared null and void.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION
SUPERANNUATION FUND
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

NOVA SCOTIA
Office of the Auditor General
1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-5907 • Fax 902 424-4350 • www.gov.ns.ca/audg

Auditor's Report

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2007 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2007 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

JR Lapointe

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
June 1, 2007

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS NET OF DEFICIENCY
AS AT MARCH 31, 2007

	2007	2006
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Marketable securities under administration (Note 3)		
Cash and short-term notes	$ 347,950	$ 383,019
Bonds and debentures	873,109	2,290,702
Equities	1,290,772	4,175,080
Investment transactions outstanding	125,250	182,451
Interest and dividends receivable	13,530	29,355
	2,650,611	7,060,607
Cash	810,050	1,869,264
Total assets	3,460,661	8,929,871
Liabilities		
Accounts payable and accrued liabilities	19,723	28,016
Retroactive pension increase (Note 4)	605,735	470,600
Total liabilities	625,458	498,616
Net assets available for benefits	$ 2,835,203	$ 8,431,255
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	$ 216,210,800	$ 219,719,300
Deficiency (Note 4)	(213,375,597)	(211,288,045)
Accrued pension benefits net of deficiency	$ 2,835,203	$ 8,431,255

Approved:

Michael D Baker

Trustee - Minister of Finance

See accompanying notes to consolidated financial statements.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Increase In Assets		
Contributions:		
Province of Nova Scotia	$ 16,870,496	$ 19,564,249
Investment income:		
Interest on investments	90,487	154,491
Dividends on investments	22,998	94,881
Gain on sale of investments	1,174,534	1,376,231
Total increase in assets	18,158,515	21,189,852
Decrease In Assets		
Benefits paid	22,563,460	23,813,353
Operating expenses (Note 5)	196,785	198,896
Current period change in market values of investments	994,322	241,607
Total decrease in assets	23,754,567	24,253,856
Decrease In Net Assets	(5,596,052)	(3,064,004)
Net Assets Available for Benefits at Beginning of Year	8,431,255	11,495,259
Net Assets Available for Benefits at End of Year	$ 2,835,203	$ 8,431,255

See accompanying notes to consolidated financial statements.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act, the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on $30.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Death benefits are available if certain criteria are met.

c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Locals 1675 of the Canadian Union of Public Employees.

A service pension is available based on $35.00 per month per year of service, effective January 1, 1995 (previously $16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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2. Significant Accounting Policies:

a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities:

Marketable securities are reported as of the trade date and stated at market value as at year-end. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Bonds, debentures and equities are valued using published market quotations. The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Foreign Currency Translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market values of foreign investments and cash balances held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in current period change in market value of investments.

f) Non-Investment Assets and Liabilities:

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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2. Significant Accounting Policies (continued):

g) Benefits:

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

3. Investments:

Investment Risk Management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk:

(a) Interest Rate Risk:

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

Interest bearing investments as classified by the earliest of the contractual re-pricing date or the maturity date are as follows:

	March 31, 2007						March 31, 2006	
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average Effective Yield	Total	Average Effective Yield
Money market	$ 347,950	-	-	-	347,950	3.8 %	$ 383,019	3.6%
Bonds and debentures	-	333,682	-	539,427	873,109	5.3 %	2,290,702	4.9%
Total	$ 347,950	$ 333,682	-	$ 539,427	$ 1,221,059		$ 2,673,721	

The average effective yield reflects the estimated annual income of a security as a percentage of its year-end market value.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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3. Investments (Continued):

(b) Market Risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments to mitigate the impact of market risk.

(c) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher.

(d) Foreign currency risk:

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities.

4. Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed valuations as at December 31, 2005. The reports indicated that the Plans had a combined unfunded liability of $213.3 million. A projection to March 31, 2007, applying the assumptions summarized below, indicated an unfunded liability of $213.4 million (March 31, 2006 - $211.3 million).

The following table reflects the unfunded liability as at March 31, 2007 and as at March 31, 2006.

	2007	2006
Actuarial value of assets:	$ 2,835,203	$ 8,431,255
Accrued pension benefits:	216,210,800	219,719,300
Unfunded liability:	($ 213,375,597)	($ 211,288,045)

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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4. Accrued Pension Benefits and Deficiency (Continued):

Reconciliation of changes in accrued pension benefits:

	2007	2006
Accrued pension benefits at beginning of year	$ 219,719,300	$ 227,878,700
Impact of change in discount rate and inflation assumption	3,802,000	1,608,100
Benefits paid	(22,563,460)	(23,813,353)
Interest on average liability during fiscal year	12,097,655	13,316,041
Net experience losses	3,155,305	729,812
Accrued pension benefits at end of year	$ 216,210,800	$ 219,719,300

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability.

The net actuarial losses noted above include experience gains and losses resulting when actual benefits differ from estimated benefits. Also, in fiscal year 2006-07, the discount rate changed from 5.95% to 5.70%, and this would have caused an actuarial loss by increasing the liability.

There was one other development that had an impact. Prior to December 31, 2005, under the salaried plan the pension continuing to the spouse upon the death of a retired member was determined as the spousal percentage multiplied by the initial pension amount at retirement. The spouse's pension did not consider any indexing provided to the pensioner between the retirement date and the date of death, nor was any subsequent indexing included once the spouse's pension was in pay.

Upon analysis of the plan document, it was decided that the pension continuing to the surviving spouse will be based on the spousal percentage multiplied by the amount being paid as at the date of death of the retired member. There will, however, be no subsequent indexing on the spouse's pension. Pension amounts paid to spouses will be adjusted to reflect the above change. In addition, surviving spouses will be provided with a lump sum payment equal to the present value of the additional amount that should have been paid to them prior to the date their pension is adjusted.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

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4. Accrued Pension Benefits and Deficiency (Continued):

The major economic and demographic assumptions used in the last valuations are as follows:

	Estimates March 31, 2007	Valuations December 31, 2005
Inflation (only applies to the salaried plan)	2.50% per annum	2.75% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	5.70% per annum	5.95% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	UP-94 projected to 2015 using scale AA	GAM-94 projected to 2000 using scale AA

5. Operating Expenses:

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

	2007	2006
Investment Expenses		
Investment management fees	$ 17,389	$ 32,202
Plan Administration		
Professional services	28,215	25,559
Salaries	79,735	62,363
Supplies and services	55,747	71,647
Travel	353	343
Other	15,346	6,782
	179,396	166,694
Total Operating Expenses	$ 196,785	$ 198,896

Certain expense comparative figures have been restated to conform to this year's presentation.

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
SCHEDULE A – ASSETS AVAILABLE FOR BENEFITS BY PENSION PLAN
MARCH 31

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2007				
Investments	$ -	$ 2,650,611	$ -	$ 2,650,611
Cash	769,280	763	40,007	810,050
	769,280	2,651,374	40,007	3,460,661
Less: Accounts payable and accrued liabilities	14,631	4,631	461	19,723
Less: Retroactive pension increase	-	605,735	-	605,735
Net assets available for benefits	$ 754,649	$ 2,041,008	$ 39,546	$ 2,835,203
Accrued pension benefits	$ 161,263,500	$ 52,495,300	$ 2,452,000	$ 216,210,800
Deficiency	(160,508,851)	(50,454,292)	(2,412,454)	(213,375,597)
Accrued pension benefits net of deficiency	$ 754,649	$ 2,041,008	$ 39,546	$ 2,835,203
2006				
Investments	$ -	$ 7,060,607	$ -	$ 7,060,607
Cash	1, 832,709	-	36,555	1,869,264
	1,832,709	7,060,607	36,555	8,929,871
Less: Accounts payable and accrued liabilities	18,397	8,983	636	28,016
Less: Retroactive pension increase	-	470,600	-	470,600
Net assets available for benefits	$ 1,814,312	$ 6,581,024	$ 35,919	$ 8,431,255
Accrued pension benefits	$ 164,153,600	$ 53,116,700	$ 2,449,000	$ 219,719,300
Deficiency	(162,339,288)	(46,535,676)	(2,413,081)	(211,288,045)
Accrued pension benefits net of deficiency	$ 1, 814,312	$ 6,581,024	$ 35,919	$ 8,431,255

PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION SUPERANNUATION FUND
SCHEDULE B – CHANGES IN ASSETS AVAILABLE FOR BENEFITS BY PENSION PLAN
YEAR ENDED MARCH 31

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2007				
Increase in Assets				
Contributions:				
Province of Nova Scotia	$ 16,618,210	$ 30,734	$ 221,552	$ 16,870,496
Interest and dividends on investments	1,558	111,858	69	113,485
Gain on sale of investments	-	1,174,534	-	1,174,534
	16,619,768	1,317,126	221,621	18,158,515
Decrease in Assets				
Benefits paid	17,531,119	4,817,987	214,354	22,563,460
Administrative expenses	148,312	44,833	3,640	196,785
Current period change in market value of investments	-	994,322	-	994,322
	17,679,431	5,857,142	217,994	23,754,567
Increase (decrease) in Net Assets	(1,059,663)	(4,540,016)	3,627	(5,596,052)
Assets available for benefits, beginning of year	1,814,312	6,581,024	35,919	8,431,255
Assets available for benefits, end of year	$ 754,649	$ 2,041,008	$ 39,546	$ 2,835,203
2006				
Increase in Assets				
Contributions:				
Province of Nova Scotia	$ 19,290,074	$ 32,993	$ 241,182	$ 19,564,249
Interest and dividends on investments	3,081	246,226	65	249,372
Gain on sale of investments	-	1,376,231	-	1,376,231
	19,293,155	1,655,450	241,247	21,189,852
Decrease in Assets				
Benefits paid	18,154,860	5,440,539	217,954	23,813,353
Administrative expenses	137,049	57,685	4,162	198,896
Current period change in market value of investments	-	241,607	-	241,607
	18,291,909	5,739,831	222,116	24,253,856
Increase (decrease) in Net Assets	1,001,246	(4,084,381)	19,131	(3,064,004)
Assets available for benefits, beginning of year	813,066	10,665,405	16,788	11,495,259
Assets available for benefits, end of year	$ 1,814,312	$ 6,581,024	$ 35,919	$ 8,431,255

SYDNEY TAR PONDS AGENCY

FINANCIAL STATEMENTS

MARCH 31, 2007

ROACH PERRY ANDERSON
Chartered Accountants

63 Charlotte Street
P.O. Box 298, Sydney
Nova Scotia, B1P 6H1

RPA

Tel: 902-539-1870
Fax: 902-539-9719
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AUDITORS' REPORT

To the President:
Sydney Tar Ponds Agency

We have audited the statement of financial position of Sydney Tar Ponds Agency as at March 31, 2007, and the statement of operations for the year then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sydney Tar Ponds Agency as at March 31, 2007, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Sydney, Nova Scotia
June 28, 2007

Roach Perry Anderson
CHARTERED ACCOUNTANTS

SYDNEY TAR PONDS AGENCY

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

ASSETS

	2007	2006
Current Assets		
Cash	$ 25,431	$ 60,753
Receivable from the Province of Nova Scotia	2,824,666	1,406,689
Prepaid Expenses	94,652	1,085
Capital Assets (Note 2)	48,071	44,073
Long Term Prepaid Expenses (Note 3)	500,289	.
Total Assets	$3,493,109	$1,512,600

LIABILITIES

	2007	2006
Liabilities		
Payables and Accruals	$3,493,109	$1,512,600
Total Liabilities	$3,493,109	$1,512,600

SYDNEY TAR PONDS AGENCY

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Province of Nova Scotia	$17,316,753	$12,178,384
Expenditures (Schedule B)		
Advertising	$ 31,360	$ 69,436
Discretionary Grants	74,483	15,000
Equipment	70,433	79,944
Insurance	35,817	
Miscellaneous Fees	27,343	22,818
Miscellaneous Services	29,872	33,220
Office	92,582	65,642
Professional Services	14,864,918	10,469,141
Rent (Note 4)	206,089	215,468
Salaries and Benefits	1,577,460	941,498
Supplies	55,710	16,746
Travel	139,644	170,376
Utilities	86,441	77,771
Expenditures (Note 5)	17,292,152	12,177,060
Tangible Capital Asset Amortization	24,601	1,324
Total Expenditures	17,316,753	12,178,384
Excess of Revenue Over Expenditures	$ -	$ -

SYDNEY TAR PONDS AGENCY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

The Sydney Tar Ponds Agency is a special operating Agency of the Nova Scotia Provincial Government, created by an order-in-council on September 10, 2004. Pursuant to the Memorandum of Agreement, the STPA is charged with carrying out the $400-million remediation of the Tar Ponds and Coke Oven sites. Nova Scotia will contribute the lesser of 40% of the actual costs incurred or $120 million; Canada will contribute an amount not exceeding $280 million.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Capital Assets

Amortization of tangible capital assets is on the declining balance basis at rates that reflect estimated useful life as follows:

Vehicles – 35%

2. CAPITAL ASSETS

Vehicles

	2007			2006
	Cost	Accumulated Amortization	NBV	NBV
Vehicles	$73,996	$25,925	$ 48,071	$44,073

3. LONG-TERM PREPAID EXPENSES

Contractor's operations and professional services environmental insurance (COPSEI):

Total premiums		$616,795
Less: 2007 expense	$34,267	
Short-term prepaid	82,239	116,506
Long-term prepaid COPSEI		$500,289

4. LEASE OBLIGATION

The Sydney Tar Ponds Agency has a long-term operating lease obligation to Harbourside Commercial Park Inc. for office accommodation. The lease expires February 28, 2013. The total financial obligation in each of the next five years is as follows:

2007-2008	$201,271	2010-2011	$201,271
2008-2009	$201,271	2011-2012	$201,271
2009-2010	$201,271		

SYDNEY TAR PONDS AGENCY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. FEDERAL EXPENDITURES

For each of the fiscal years, 2006 and 2007, expenditures by Public Works and Government Services Canada in the amount of $341,740 and $126,000, respectively, are included in the listed categories. However, the expenditures to which the funding relates are not recorded in the books and records of Sydney Tar Ponds Agency.

6. PROJECT EXPENDITURES

Project expenditures include only those items managed pursuant to the current Interim Cost Share Agreement (ICSA). The ICSA provides for interim governance and funding for undertaking Preventative Works and Preliminary Works, as set out in the Memorandum of Agreement between the Government of Canada and the Province of Nova Scotia. The Interim Cost Share Agreement comprises $42 million of the $400 million committed for remediation of the Tar Ponds and Coke Oven sites. Project expenditures include the cost of capital expenditures and prepaid Contractor's Operations and Professional Services insurance as follows:

Total expenditures per the Statement of Operations	$17,316,753
Tangible capital assets purchased during the year	28,599
Prepaid expenses included in project expenditures for the year	82,239
Long-term prepaid expenses	500,289
	611,127
	17,927,880
Tangible capital asset amortization	24,601
Total project expenditures	$17,903,279

7. PENSION PLANS

Certain of the employees of the Sydney Tar Pond Agency retain Civil Servant status pursuant to the Civil Service Act, and are covered by the Nova Scotia Public Service Superannuation Plan (PSSP). Certain others, although they are not considered Civil Servants, participate in the PSSP. The remainder of the employees, who are not Civil Servants, are part of a Group Registered Retirement Savings Plan.

SYDNEY TAR PONDS AGENCY

SCHEDULE A
SUPPLEMENTARY DETAILS OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007	2006
Advertising	$ 31,360	$ 69,436
Discretionary Grants	$ 74,483	$ 15,000
Equipment		
IT Software & Hardware	$ 30,065	$ 47,526
Office Furniture	13,194	19,861
Equipment	27,174	12,557
Total Equipment	$ 70,433	$ 79,944
Insurance	$ 35,817	
Miscellaneous Fees		
Staff Training & Development	$ 15,908	$ 9,108
Fees & Other Charges	11,435	13,710
Total Miscellaneous Fees	$ 27,343	$ 22,818
Miscellaneous Services		
Resource Mapping		$ 20,000
Janitorial Services	$ 11,440	6,076
Materials & Water Testing	1,713	2,730
Other Services	16,719	4,414
Total Miscellaneous Services	$ 29,872	$ 33,220
Office		
Miscellaneous Office Expense	$ 45,464	$ 41,613
Printing and Stationery	41,325	16,282
Freight, Duty, Express	5,793	7,747
Total Office	$ 92,582	$ 65,642
Professional Services		
Professional Services	$ 14,630,646	$ 10,298,625
Clerical Services	4,452	39,575
Consulting & Legal Services	103,820	25,869
Other Consulting Fees	126,000	105,072
Total Professional Services	$ 14,864,918	$ 10,469,141

SYDNEY TAR PONDS AGENCY

SCHEDULE A
SUPPLEMENTARY DETAILS OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007	2006
Rent		
Office Rentals	$ 192,071	$ 196,259
Equipment Leases & Rentals	14,018	19,209
Total Rent	$ 206,089	$ 215,468
Salaries and Benefits		
Civil Servants	$ 416,688	$ 393,912
OIC Appointments	-25,208	55,253
Contract Employees	977,306	350,757
Casual Employees	148	6,828
Fringe Benefits	208,526	134,748
Total Salaries and Benefits	$1,577,460	$ 941,498
Supplies		
General Operating Supplies	$ 53,208	$ 14,827
Janitorial Supplies	2,502	1,919
Total Supplies	$ 55,710	$ 16,746
Travel		
Meeting Expenses	$ 34,287	$ 41,001
General Travel	37,144	43,076
Airfare/Accommodations	50,517	69,622
Auto Operations/Maintenance	17,696	16,677
Total Travel	$ 139,644	$ 170,376
Utilities		
Telecommunications	$ 49,082	$ 42,771
Water & Electricity	34,785	31,606
Other Utilities	2,574	3,394
Total Utilities	$ 86,441	$ 77,771

SYDNEY TAR PONDS AGENCY

SCHEDULE B
PROJECT EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007	2006
Implementing Agency	$ 2,222,289	$ 1,837,997
Environmental Assessment	795,765	3,649,315
Battery Point Cofferdam – Design & Oversight	106,276	471,574
Battery Point Cofferdam – Construction	1,347,418	
Realign Coke Oven Brook – Design & Oversight	208,047	455,693
Realign Coke Oven Brook – Construction	5,398,253	1,365,989
Cooling Pond – Design	185,986	238,400
Cooling Pond – Construction	68,717	
Victoria Road Water Main – Design & Oversight		50,000
Victoria Road Water Main – Construction		572,878
Security	254,298	351,149
Air Monitoring	629,337	743,813
Operations and Maintenance	678,606	124,514
Project Communication Program	314,989	329,057
Independent Engineer	907,656	524,117
Pre-Design Engineering	135,479	1,388,368
Detailed Design	4,524,163	14,521
Other-Consulting Services	126,000	105,072
Total Project Expenditures (Note 6)	$ 17,903,279	$ 12,222,457

Consolidated Financial Statements of

TRADE CENTRE LIMITED

Year ended March 31, 2007

KPMG LLP
Chartered Accountants
Suite 1500, Purdy's Wharf Tower One
1959 Upper Water Street
Halifax Nova Scotia B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 429-1307
Internet www.kpmg.ca

AUDITORS' REPORT

To the Shareholder of Trade Centre Limited

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2007 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Halifax, Canada

June 8, 2007

TRADE CENTRE LIMITED

Consolidated Balance Sheet

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	$ 1,570,720	$ 2,059,802
Accounts receivable (note 2)	3,307,399	2,146,807
Inventories	140,142	186,231
Prepaid expenses	569,092	537,677
	5,587,353	4,930,517
Deferred charges	-	61,860
Capital assets (note 3):		
Land, building, furniture and equipment and tenant leaseholds	44,787,508	40,816,276
Less accumulated depreciation and amortization	30,252,681	28,458,854
	14,534,827	12,357,422
	$ 20,122,180	$ 17,349,799
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,773,321	$ 1,607,235
Event deposits	516,746	577,623
Deferred revenue	159,762	14,205
Due to the Province of Nova Scotia	2,871,698	2,841,142
	6,321,527	5,040,205
Other liability (note 4)	648,028	500,596
Long-term service awards	300,024	254,681
Deferred capital contributions (note 5)	4,020,896	800,390
	11,290,475	6,595,872
Shareholder's equity:		
Share capital:		
Authorized:		
1,000,000 common shares without par value		
Issued and outstanding:		
100 common shares	100	100
Contributed surplus (note 6)	45,173,101	45,173,101
Deficit	(36,341,496)	(34,419,274)
	8,831,705	10,753,927
Commitments (note 7)		
	$ 20,122,180	$ 17,349,799

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

TRADE CENTRE LIMITED

Consolidated Statement of Operations and Deficit

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Convention Centre	$ 5,952,291	$ 5,162,004
Office Tower	2,338,414	2,295,192
Exhibition Park	2,070,207	1,610,473
World Trade Centre	364,544	703,279
Events Halifax	889,764	779,404
Ticket Atlantic	1,423,342	-
Halifax Regional Municipality Convention Centre operating subsidy (note 8)	537,438	532,088
	13,576,000	11,082,440
Expenses:		
Event expenses	6,246,392	4,776,957
Salaries, wages and benefits	3,123,828	2,867,634
Administration	933,995	791,170
Advertising and marketing	548,957	414,223
Maintenance	1,123,491	1,020,838
Energy	1,013,784	921,592
Taxes and insurance	1,047,454	1,024,758
	14,037,901	11,817,172
Loss before the undernoted	(461,901)	(734,732)
Other income:		
Gain on sale of capital assets	159	1,326
Interest income	45,643	31,404
	45,802	32,730
Loss before depreciation and amortization	(416,099)	(702,002)
Depreciation and amortization	1,949,078	1,434,171
Amortization of deferred capital contributions	(442,955)	(29,182)
	1,506,123	1,404,989
Loss for the year	(1,922,222)	(2,106,991)
Deficit, beginning of year	(34,419,274)	(32,312,283)
Deficit, end of year	$ (36,341,496)	$ (34,419,274)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Loss for the year	$ (1,922,222)	$ (2,106,991)
Item not involving cash:		
Amortization of deferred capital contributions	(442,955)	(29,182)
Depreciation and amortization	1,949,078	1,434,171
Gain on disposal of capital assets	(159)	(1,326)
Other liability	147,432	160,540
Change in non-cash operating working capital	197,264	1,197,189
	(71,562)	654,401
Financing:		
Increase in long-term service awards	45,343	40,840
Receipt of government capital contributions	3,663,461	829,572
	3,708,804	870,412
Investments:		
Proceeds from disposal of capital assets	159	1,326
Purchase of capital assets	(4,126,483)	(788,072)
	(4,126,324)	(786,746)
Increase (decrease) in cash position	(489,082)	738,067
Cash position, beginning of year	2,059,802	1,321,735
Cash position, end of year	$ 1,570,720	$ 2,059,802

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

Trade Centre Limited (the "Company") is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, the provision of marketing and promotion services, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of six divisions: the Convention Centre, Events Halifax!, the Office Tower, Exhibition Park, the World Trade Centre and Ticket Atlantic. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Capital assets:

Capital assets are stated at cost. Depreciation and amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Straight-line	10 to 30 years
Furniture and equipment	Straight-line	3 to 5 years
Tenant leaseholds	Straight-line	Lease term

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

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1. **Significant accounting policies (continued):**

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Deferred capital contributions:

Government assistance towards the acquisition of capital assets has been deferred and is being amortized to income on the same basis as the assets to which they relate are being depreciated.

(g) Long-term service awards:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

2. Accounts receivable:

	2007	2006
Halifax Metro Centre	$ 1,243,618	$ 915,437
Convention Centre events	746,311	422,208
Exhibition Park events	38,372	36,320
Events Halifax funding	204,288	337,307
Atlantic Canada World Trade Centre	722,471	213,596
Other	187,477	239,986
Office Tower rents	187,338	79,127
	3,329,875	2,243,981
Provision for doubtful accounts	(22,476)	(97,174)
	$ 3,307,399	$ 2,146,807

3. Capital assets:

			2007	2006
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	$ 213,113	$ -	$ 213,113	$ 213,113
Building	39,139,292	25,604,920	13,534,372	11,586,461
Furniture and equipment	3,907,925	3,131,760	776,165	544,996
Vehicles	6,055	6,055	-	-
Tenant leaseholds	1,521,123	1,509,946	11,177	12,852
	$ 44,787,508	$ 30,252,681	$ 14,534,827	$ 12,357,422

4. Other liability:

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2007, is $648,028 (2006 - $500,596). The benefit expense for the year is $147,432 (2006 - $160,513).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

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5. Deferred capital contributions:

During 2006, Trade Centre Limited entered into an agreement with the Province of Nova Scotia (the "Province") for the Province to fund a capital renovation plan, expected to be completed by fiscal 2009 at a total estimated cost of $10,350,000. The costs of the capital renovation are being capitalized as capital assets with the funding recorded as deferred capital contributions. These amounts are being amortized on a straight-line basis over periods ranging from 10 to 15 years.

6. Contributed surplus:

	2007	2006
Government of Canada	$ 2,750,000	$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	$ 45,173,101	$ 45,173,101

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

7. Commitments:

(a) Trade Centre Limited is committed to minimum annual operating lease, signage and other payments as follows:

2008	$ 808,363
2009	795,955
2010	354,886
	$ 1,959,204

(b) Trade Centre Limited, in partnership with Expocite, has entered into a contract to host the 2008 World Hockey Championship. The Halifax Metro Centre will host 50% of these games. In connection with this event Trade Centre Limited has provided a guarantee of $2,000,000 to the Canadian Hockey Association as their share of the minimum profit of $4,000,000 to be generated from the 2008 World Hockey Championship. The Province of Nova Scotia and the Halifax Regional Municipality have each committed $1,000,000 towards the support of this event.

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

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8. Halifax Regional Municipality Convention Centre operating subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2007 fiscal year in these consolidated financial statements.

9. Related party transactions:

The Company rents significant office tower space to departments and agencies of the Province of Nova Scotia. For the year ended March 31, 2007, rental revenue and tenant recoveries included $1,801,294 (2006 - $1,742,625) received from departments and agencies of the Province of Nova Scotia.

The Company pays certain expenses, including payroll, on behalf of Halifax Metro Centre (the "Centre") and is then reimbursed by the Centre.

Included in Events Halifax revenues are management fees received from the Centre in the amount of $3,645 (2006 - $106,098).

Included in event expenses are commissions in the amount of $89,623 (2006 - nil) paid by the Company to the Centre for commissions earned on ticket sales purchased through Ticket Atlantic.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

10. Employee Pension Plan:

Employees of the Centre participate in the Public Service Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administrated by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2007 were $204,000 (2006 - $184,000) and are recognized as an expense in the period. The Centre is not responsible for any under-funded liability, nor does the Centre have any access to any surplus that may arise in this Plan.

TRADE CENTRE LIMITED

Notes to Consolidated Financial Statements

Year ended March 31, 2007

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11. Fair value of financial instruments:

The Company's financial instruments, being cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and Due to the Province of Nova Scotia, approximate fair value due to their short-term nature. It is not practical to determine the fair value of the other liability and long-term service awards.

12. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial presentation adopted per the current year.

Tri-County Regional School Board
Financial Statements
March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chairperson and Members of the Board of
The Tri-County Regional School Board

We have audited the statement of financial position of the Tri-County Regional School Board as at March 31, 2007, and the statements of operations and surplus, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit except as explained in the following paragraph.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with other school boards in Nova Scotia, the Board is ultimately accountable for revenue earned by schools from school generated funds, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and opening balances is limited to the amounts recorded in the records of the schools in which these funds are held. Therefore, we are not able to determine whether any adjustments might be necessary to school generated revenue, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Bridgewater, Nova Scotia
June 18, 2007

Chartered Accountants

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Tri-County Regional School Board
Statement of Financial Position

As at March 31	2007	2006
Financial Assets		
Cash and cash equivalents	$ 2,534,480	$ 1,199,490
Cash held by schools (Note 3)	894,292	874,052
	3,428,772	2,073,542
Accounts Receivable		
Province of Nova Scotia	1,548,381	1,274,589
Government of Canada	192,789	196,252
Municipalities	-	-
Other	447,796	245,152
Accrued Benefit Asset (Note 4)	115,000	129,400
Receivable - Service Award Allowance (Note 8)	2,222,952	2,832,348
Total Financial Assets	$ 7,955,690	$ 6,751,283
Liabilities		
Accounts payable and accrued liabilities-trade	$ 2,016,961	$ 922,497
Payroll and Employee Deductions	2,241,400	2,014,892
Payables and Accruals - Government		
Province of Nova Scotia	16,465	20,353
Government of Canada	937	1,215
Municipalities	10,445	8,767
Other (Government Service Organizations)	45,240	31,093
Deferred Revenue	924,537	643,892
Service Award Obligations (Note 8)	2,222,952	2,832,348
Total Liabilities	$ 7,478,937	$ 6,475,057
Net Financial Resources	$ 476,753	$ 276,226
Non-Financial Assets (Note 1)		
Tangible Capital Assets	$ 29,578	$ -
Inventory	186,346	166,446
Prepaid expenses	385,895	348,651
	$ 601,819	$ 515,097
Accumulated surplus (Note 1)	$ 1,078,572	$ 791,323

Accounting Changes (Note 2)
Trust Funds under Administration (Note 5 and Schedule D)
Contractual Obligations (Note 6)
Commitments and Contingencies (Note 8)

On Behalf of the Board

N. Faye Haley
Chairperson

Board Member

See accompanying notes to the financial statements.

Tri-County Regional School Board
Statement of Operations

For the year ended March 31, 2007

	2007		2006
	Budget	Actual	Actual
Revenues (Schedule A)			
Province of Nova Scotia	$ 48,881,530	$ 47,697,142	$ 47,489,578
Government of Canada	219,264	212,188	504,014
Municpal contributions	9,291,000	9,290,374	8,930,030
School generated funds (Note 3)	-	2,663,601	2,888,308
Board Operations	928,407	1,117,321	924,352
Total Revenues	$ 59,320,201	$ 60,980,626	$ 60,736,282
Expenses (Schedule B)			
Board Governance	$ 292,122	$ 278,946	$ 253,566
Regional Management	2,035,622	1,959,539	1,615,734
School Management & Support	5,460,721	5,498,356	6,319,982
Instruction & School Services	30,322,726	29,767,769	30,071,828
Student Support	6,408,057	6,566,346	5,534,718
Adult & Community Education	430,113	402,896	359,378
Property Services	7,577,948	7,189,119	8,583,230
Student Transportation	4,492,313	4,394,501	4,246,778
School generated funds (Note 3)	-	2,643,362	2,848,717
Other Programs	2,217,850	1,978,143	877,938
Defined benefit pension plan expense (recovery)	-	14,400	(77,600)
	$ 59,237,472	$ 60,693,377	$ 60,634,269
School Board surplus on an expense basis	$ 82,729	$ 287,249	$ 102,013
Operating- prior year deficit	$ (82,729)	$ (82,729)	$ (102,013)
	$ -	$ 204,520	$ -
Designation of accumulated surplus/(deficit) (Note 1):			
Operating Deficit-unrestricted, beginning of year	$ -	$ (82,729)	$ (145,151)
Operating Surplus, including school funds		$ 287,249	102,013
	$ -	$ 204,520	$ (43,138)
Operating Surplus-designated to School Funds		(20,239)	(39,591)
Operating Surplus-unrestricted, end of year	$ -	$ 184,281	$ (82,729)
School Funds-restricted, beginning of year	$ -	$ 874,052	$ 834,461
School Funds-restricted-net surplus for year		20,239	39,591
School Funds-restricted, end of year		$ 894,291	$ 874,052
	$ -	$ 1,078,572	$ 791,323

See accompanying notes to the financial statements.

Tri-County Regional School Board

Statement of Changes in Net Financial Resources

For the year ended March 31, 2007

	2007 Actual	2006 Actual
Net financial resources, beginning of year	**$ 276,226**	$ 496,709
Changes in the Period		
Prior year deficit to current operations	**82,729**	-
Annual surplus	**204,520**	102,013
Decrease in tangible capital assets	**(29,578)**	-
Decrease in inventories of supplies	**(19,900)**	(17,983)
Decrease in prepaid expenses	**(37,244)**	(304,513)
Increase (decrease) in net financial resources	**200,527**	(220,483)
Net financial resources, end of year	**$ 476,753**	$ 276,226

See accompanying notes to the financial statements.

Tri-County Regional School Board
Statement of Cash Flow

For the year ended March 31, 2007

	2007	2006
Indirect Method		
Operating transactions		
Annual surplus	$ 287,248	$ 102,013
Changes in non-cash working capital		
(Decrease) increase in accounts receivable	(472,974)	645,431
Increase in Receivables - Service Awards	609,397	-
Decrease in inventories of supplies	(19,900)	(17,983)
Decrease in prepaid expenses	(37,244)	(304,513)
Decrease in Tangible Capital Assets	(29,578)	-
Increase (decrease) in accrued benefit asset	14,400	(77,600)
Increase in accounts payable and accruals	1,332,631	489,736
Increase in defered revenue	280,646	72,760
Decrease in retirement obligations Payable	(609,396)	-
	1,067,982	807,831
Cash provided by operating activities	1,355,230	909,844
Increase in cash	1,355,230	909,844
Cash at beginning of year	2,073,542	1,163,698
Cash at end of year	$ 3,428,772	$ 2,073,542

See accompanying notes to the financial statements.

Tri-County Regional School Board
Schedule A - Supplementary Details of Revenues

For the year ended March 31, 2007

	2007		2006
	Budget	Actual	Actual
Province of Nova Scotia			
Operating	$ 36,218,000	$ 36,217,998	$ 37,181,197
Restricted	9,989,966	9,474,425	5,609,577
Capital	1,114,900	499,689	2,369,011
Other	1,495,450	1,445,879	2,151,734
Recoveries	63,214	59,151	178,059
	$ 48,881,530	$ 47,697,142	$ 47,489,578
Government of Canada			
Other	$ -	$ -	$ 284,750
First Nations	219,264	212,188	219,264
	$ 219,264	$ 212,188	$ 504,014
Appropriations from Councils	$ 9,291,000	$ 9,290,374	$ 8,930,030
	$ 9,291,000	$ 9,290,374	$ 8,930,030
School generated funds (Note 3)	$ -	$ 2,663,601	$ 2,888,308
	$ -	$ 2,663,601	$ 2,888,308
Board Operations			
Board Generated Revenue - Other Revenue	$ 841,142	$ 970,866	$ 841,909
Rental of Facilities	3,500	2,588	6,080
Interest/Investment	75,765	135,424	75,764
Sale of assets	8,000	8,443	599
	$ 928,407	$ 1,117,321	$ 924,352
Total Revenue	$ 59,320,201	$ 60,980,626	$ 60,736,282

See accompanying notes to the financial statements.

Tri-County Regional School Board

Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

	2007		2006
	Budget	Actual	Actual
Board Governance			
Salaries	$ 141,957	$ **143,277**	$ 127,148
Benefits	7,121	**6,960**	4,892
Travel	25,032	**29,510**	23,949
Supplies/Materials/Telecommunications	35,212	**26,402**	23,394
Professional Development	30,900	**20,900**	20,584
NSSBA Dues	51,900	**51,897**	53,599
Total Board Governance	$ 292,122	$ **278,946**	$ 253,566
Regional Management			
Salaries	$ 1,010,938	$ **1,023,556**	$ 868,468
Benefits	181,812	**205,284**	167,349
Travel	93,471	**85,403**	61,408
Professional Services-Legal and Audit	90,720	**78,461**	164,245
Contracted Services	657,129	**580,399**	432,397
Repairs/Maintenance	10,000	**27,603**	28,255
Supplies/Materials/Telecommunications	205,810	**162,373**	143,445
Utilities	6,134	**23,259**	10,790
Professional Development	96,063	**63,194**	29,690
Bank/Interest Costs	-	-	71
Insurance	91,135	**86,422**	68,214
Recovery-Shared Services	(407,590)	**(376,415)**	(358,598)
Total Regional Management	$ 2,035,622	$ **1,959,539**	$ 1,615,734
School Management & Support			
Salaries	$ 4,212,512	$ **4,216,764**	$ 4,576,473
Benefits	412,086	**449,884**	420,121
Travel	104,278	**85,952**	98,477
Contracted Services	25,644	**25,294**	226,504
Repairs/Maintenance	-	**295**	623
Supplies/Materials/Telecommunication/Utilities	467,094	**579,686**	725,105
Utilitities-IT	6,530	**5,735**	5,028
Professional Development	232,577	**134,746**	267,651
Total School Management & Support	$ 5,460,721	$ **5,498,356**	$ 6,319,982
Instruction & School Services			
Salaries	$ 27,053,518	$ **26,614,636**	$ 27,405,982
Benefits	1,477,730	**1,536,618**	1,491,528
Service award allowances-current	342,900	**113,504**	59,957
Travel	21,917	**20,288**	10,100
Contracted Services	239,972	**260,989**	159,185
Supplies/Materials/Telecommunications	546,095	**524,163**	364,676
Textbook Allocation	499,500	**499,500**	484,300
Service award allowances-interest	-	**64,300**	96,100
Professional development	141,094	**133,771**	
Total Instruction & School Services	$ 30,322,726	$ **29,767,769**	$ 30,071,828

See accompanying notes to the financial statements.

Tri-County Regional School Board
Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

	2007		2006
	Budget	Actual	Actual
Student Support			
Salaries	$ 5,625,802	$ 5,817,938	$ 4,974,176
Benefits	531,039	555,736	397,916
Travel	57,503	63,530	54,486
Supplies/Materials/Telecommunications	141,930	94,334	79,821
Professional Development	51,783	34,808	28,319
Total Student Support	$ 6,408,057	$ 6,566,346	$ 5,534,718
Adult & Community Education			
Salaries	$ 370,954	$ 353,929	$ 308,715
Benefits	22,070	26,049	37,380
Travel	6,400	2,075	2,317
Contracted Services	5,351	3,690	760
Supplies/Materials/Telecommunications	23,338	17,153	10,206
Professional Development	2,000	-	-
Total Adult & Community Education	$ 430,113	$ 402,896	$ 359,378
Property Services			
Salaries	$ 2,227,679	$ 2,195,244	$ 2,117,211
Benefits	433,474	453,673	415,728
Travel	7,771	11,270	11,605
Contracted Services	623,748	667,579	379,698
Repairs/Maintenance	1,813,391	1,331,732	3,231,326
Vehicle expenses	22,085	34,862	47,280
Supplies/Materials/Telecommunications	188,875	255,048	192,591
Utilities	2,040,293	1,999,532	1,947,664
Professional Development	7,750	3,029	11,420
Insurance	232,882	232,883	234,361
Amortization	-	12,676	
Recoveries	(20,000)	(8,409)	(5,654)
Total Property Services	$ 7,577,948	$ 7,189,119	$ 8,583,230
Student Transportation			
Salaries	$ 2,224,763	$ 2,206,807	$ 2,189,638
Benefits	436,123	447,136	417,716
Travel	132,615	199,244	98,820
Contracted Services	51,727	56,158	56,014
Repairs/Maintenance	58,000	39,703	23,033
Vehicle Maintenance	1,252,959	1,200,052	1,210,864
Conveyance	80,000	73,480	76,920
Supplies/Materials/Telecommunications	119,846	79,718	51,568
Utilities	19,292	20,727	23,976
Professional Development	18,550	13,513	13,424
Insurance	98,438	96,038	84,805
Recoveries	-	(38,075)	-
Total Student Transportation	$ 4,492,313	$ 4,394,501	$ 4,246,778

See accompanying notes to the financial statements.

Tri-County Regional School Board
Schedule B - Supplementary Details of Expenditures

For the year ended March 31, 2007

		2007	2006
	Budget	Actual	Actual
School Generated Funds			
School funded activities (Note 3)	$ -	$ **2,643,362**	$ 2,848,717
Total School Generated Funds	$ -	$ **2,643,362**	$ 2,848,717
Other Programs			
Salaries	$ 1,097,101	$ **1,028,333**	$ 418,907
Benefits	67,895	**63,316**	28,549
Travel	70,883	**66,021**	16,492
Repairs/Maintenance	-	**(8,582)**	1,534
Supplies/Materials	920,509	**825,023**	412,456
Professional Development	61,462	**4,032**	-
Transfer to Surplus	-	-	
Total Other Programs	$ 2,217,850	$ **1,978,143**	$ 877,938
Defined benefits pension			
Defined benefits pension expense	$ -	$ **14,400**	$ (77,600)
	$ -	$ **14,400**	$ (77,600)
Total Expenditures	$ 59,237,472	$ **60,693,377**	$ 60,634,269

See accompanying notes to the financial statements.

Tri-County Regional School Board

Schedule C - Supplementary Details of Tangible Capital Assets

For the year ended March 31, 2007

	Land, Buildings and Improvements	Major Equipment	Computer Hardware	Vehicles	2007 Total	2006 Total
Cost of Tangible Assets:						
Opening Costs	$ -	$ -	$ -	$ -	$ -	$ -
Additions	-	-	-	42,254	42,254	-
Disposals	-	-	-	-	-	-
Closing Costs	$ -	$ -	$ -	$ 42,254	$ 42,254	$ -
Accumulated Amortization:						
Opening balance	$ -	$ -	$ -	$ -	-	-
Disposals	-	-	-	-	-	-
Amortization expense	-	-	-	12,676	12,676	-
Closing Balance	$ -	$ -	$ -	$ 12,676	$ 12,676	$ -
Net Book Value	$ -	$ -	$ -	$ 29,578	$ 29,578	$ -
Net Book Value						
Opening balance	$ -	$ -	$ -	$ -	$ -	$ -
Closing Balance	-	-	-	29,578	29,578	-
Increase(Decrease) in Net Book Value	$ -	$ -	$ -	$ 29,578	$ 29,578	$ -

See accompanying notes to the financial statements.

Tri-County Regional School Board
Schedule D-Trust Funds Balance Sheet

As at March 31	2007	2006
Assets		
Cash	$ 291,670	$ 292,113
Equity		
Augusta Nickerson	$ 14,676	$ 14,617
J. Pask Memorial	144	139
Elsie Hemeon Fund	584	562
F. Dakin and P. Dakin Dickson	45,789	45,042
Dr. Charles and Mary Webster	33,042	31,805
Reserve for scholarships		
Yarmouth District Scholarship Society		
Unassigned	4,070	3,918
Samuel Margolian Trust - Yarmouth High	5,149	5,081
Samuel Margolian Trust - St. Ambrose	5,150	5,082
Churchill Trust	857	825
Loraleis Trust	1,668	1,645
Blackader - Kirk Trust	586	1,055
Olson	3,117	3,060
Andrew Maxwell	2,534	2,635
Estate of Marjorie E. Jones	17,283	16,636
Digby Community Theatre Fund	2,224	2,141
Atlantic Philanthropy	8	474
Shelburne High - new school	99,641	99,707
Faith Guay	9,260	6,988
Barrington High-Enhancements-new school	45,888	50,701
	$ 291,670	$ 292,113

On Behalf of the Board

N. Faye Haley
Chairman

Board Member

See accompanying notes to the financial statements.

Tri-County Regional School Board
Schedule E-Supplementary Details of Trust Funds
For the year ended March 31, 2007

	Balance Beginning of Period	Additions	Interest	Disbursements	Balance End of Period
Augusta Nickerson	$ 14,617	$ -	$ 559	$ (500)	**$ 14,676**
J. Pask Memorial	139		5		**144**
Elsie Hemeon	562		22		**584**
F. Dakin/P. Dakin Dickson	45,042		1,747	(1,000)	**45,789**
Dr. Charles/Mary Webster	31,805		1,237		**33,042**
Yarmouth Dist Scholarship Society					
Unassigned	3,918		152		**4,070**
S. Margolian Trust-Yarmouth High	5,081		194	(126)	**5,149**
S. Margolian Trust-St. Ambrose	5,082		194	(126)	**5,150**
Churchill Trust	825		32		**857**
Loraleis Trust	1,645		63	(40)	**1,668**
Blackader - Kirk Trust	1,055		31	(500)	**586**
Olson Trust	3,060		117	(60)	**3,117**
Andrew Maxwell	2,635		99	(200)	**2,534**
Estate of Marjorie E. Jones	16,636		647		**17,283**
Digby Community Theatre Fund	2,141		83		**2,224**
Atlantic Philanthropy	474		9	(475)	**8**
Shelburne High-new school	99,707		3,745	(3,811)	**99,641**
Faith Guay	6,988	2,921	351	(1,000)	**9,260**
Barrington High-new school	50,701		1,807	(6,620)	**45,888**
	$ 292,113	$ 2,921	$ 11,094	$ (14,458)	**$ 291,670**

See accompanying notes to the financial statements.

Tri-County Regional School Board
Notes to the Financial Statements

March 31, 2007

1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, which for purposes of the school board's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting polices:

Basis of Accounting
Revenues

Revenue is reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. The main components of revenue are funding from the Province of Nova Scotia, Government of Canada and Municipal contributions.

The statement of financial position is presented using the principles prescribed by the Department of Education. The balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the statement of operations or in the statement of financial position. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements.

Expenses

Expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenses are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on certain loans, investments, accounts receivable, and are for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

Financial instruments

The Board's financial instruments include receivables, cash and cash equivalents, bank indebtedness, investments, payable and accruals, due to/from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, except for payables to related parties, for which fair value was not readily determinable.

Financial Assets

Cash and cash equivalents are recorded at cost which approximates market value.

Accounts receivable are recorded at the principle amount less valuation allowances, if applicable.

Liabilities

Pension, Retirement and Other Obligations include various employee benefits. For purposes of these financial statements, the School Board's pension liabilities are calculated using an accrued benefits actuarial method and using accounting assumptions which reflect the Board's best estimates of performance over the long-term. The net pension liabilities represent accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses.

Tri-County Regional School Board
Notes to the Financial Statements
March 31, 2007

1. Financial Reporting and Accounting Policies (continued)

Deferred Revenue
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year that the related expenditures are incurred or service performed.

Net Assets
Net assets represent the financial assets of the Board less financial liabilities.

Non-Financial Assets
Inventories are bus garage parts and bus tire inventories recorded at average cost. All other supplies and purchases are expensed.

Tangible Capital Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost, when applicable. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right. The buildings and school buses financed by the Province of Nova Scotia and transferred to the school boards are not accounted for in the school board's financial statements; rather they are included in the Province of Nova Scotia's financial statements.

The Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. The thresholds and amortization rates using the declining balance method, as defined in the policy are as follows:

	Threshold	Rates
Building	$250,000	5%
Leasehold improvements	$150,000	5%
Computer hardware	$25,000	50%
Motor vehicles	$15,000	35%
Equipment	$50,000	20%
Software	$250,000	50%

Prepaid expenses and Inventories
Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Tri-County Regional School Board
Notes to the Financial Statements
March 31, 2007

1. Financial Reporting and Accounting Policies (continued)

Accumulated Surplus

Accumulated Surplus represents the financial assets and non-financial assets of the School Board less liabilities. This represents the accumulated balance of net surplus arising from the operations of the Board and school generated funds.

Changes in surplus are as follows:	2007	2006
Balance Surplus, beginning	$ 791,323	$ 689,310
Surplus (deficit), current year	287,249	102,013
Balance Surplus, March 31, 2007	$ 1,078,572	$ 791,323
Designation of accumulated surplus:		
General Fund-unrestricted	$ 184,281	$ (82,729)
School general funds-restricted	894,291	874,052
Balance , March 31, 2007	$ 1,078,572	$ 791,323

2. Accounting Changes

a) The School Board has also made a provision to record salaries and benefits accrued but unpaid at year end for teaching and non-teaching staff. As at March 31, 2007 and March 31, 2006, this provision amounted to $937,900. This accounting change has no effect of the school board's annual surplus or its accumulated surplus in either year, as a receivable from the Province of Nova Scotia has been recognized by the School Board equivalent to the provision.

b) Vacation pay for 12-month employees have been accrued beginning on March 31, 2005 and is recorded as a salary expense. This change has not been applied retroactively and has no effect on the annual surplus or the accumulated surplus in either year, as a receivable from the Province of Nova Scotia has also been recognized by the School Board equivalent to the vacation pay accrued.

3. School Generated Funds

These financial statements include funds arising from certain school and student activities that are controlled and administered by each school, but for which the Board is accountable. Revenue from school funds is recognized as the funds are received. School funded activities expenses are recorded as the funds are expended. School Generated Funds, which include the revenues and expenditures and fund balances of various organizations that exist at the school level under the jurisdiction of the school board

Changes in cash held by schools are as follows:

	2007	2006
Balance, April 1	$ 874,052	$ 834,461
Additions to school generated funds	2,663,601	2,888,308
School funded activities expenses	(2,643,362)	(2,848,717)
Net school generated funds for year		
Balance, March 31	$ 894,291	$ 874,052

Tri-County Regional School Board
Notes to the Financial Statements
March 31, 2007

4. Defined benefit pension plans

The School Board maintains two defined benefit pension plans, one for its C.U.P.E staff and a second for its support staff. These pension plans originated in the Southwest Regional School Board, and have not yet been formally split between the South Shore Regional School Board (SSRSB) and the Tri-County Regional School Board (TCRSB). The pension plan actuaries have divided the assets of each plan between the two boards in proportion to the obligations for members from each school board as at the measurement date of December 31, 2004.

For both plans, employee contributions equal 5% of their salary, and the School Boards contribute the balance to fund the plan. Employee benefits are based on career earning levels.

C.U.P.E defined benefit pension plan.

The CUPE pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2006 and 2007. The accrued benefit asset was adjusted to March 31, 2007 by including employer contributions made between January and March of 2007. The actuarial valuation projects a deficit of $143,000 for the SSRSB and $27,500 for the TCRSB for a total of $170,500. Plan assets are recorded at market value. The board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

Pension Expense:	South Shore	Tri-County	Total plan
Current service cost (net of employee Contributions)	$ 290,600	$ 231,900	$ 522,500
Amortization of actuarial losses (gains)	38,700	10,900	49,600
Pension Interest expense			
Interest cost on the Accrued Benefit Obligation	392,300	69,100	466,400
Expected return on Plan Assets	(452,100)	(75,400)	(527,500)
Total 2006 pension expense	$ 274,500	$ 236,500	$ 511,000

Development of Accrued Benefit Asset as at March 31, 2007

CUPE	South Shore	Tri-County	Total plan
Accrued Benefit Asset (liability) as at March 31, 2006	$ 196,600	$ 82,900	$ 279,500
Fiscal 2007 expense (income)	(274,500)	(236,500)	(511,000)
Fiscal 2007 School Board Contributions	278,300	214,300	494,600
Accrued Benefit Asset (liability) as at March 31, 2007	$ 200,400	$ 60,700	$ 261,100

Tri-County Regional School Board
Notes to the Financial Statements

March 31, 2007

4. Defined benefit pension plans (continued)

Reconciliation of the Accrued Benefit Asset as at March 31, 2007

	South Shore	Tri-County	Total plan
Assets	$ 8,260,100	$1,591,700	$ 9,851,800
Accrued Benefit Obligation	8,403,100	1,619,200	10,022,300
Funded status as at March 31, 2007	(143,000)	(27,500)	(170,500)
Less: unamortized actuarial gains	284,700	43,300	328,000
Plus: Employer Contributions January to March 2007	58,700	44,900	103,600
Accrued Benefit Asset as at March 31, 2007	$ 200,400	$ 60,700	$ 261,100

Major assumptions regarding the CUPE pension plan are as follows:

Discount rate -effective April 1, 2006 and later	5%
-up to and including March 31, 2006	6%
Expected rate of return on plan assets	6%
Annual salary increases	3%
Interest credited on employee contributions	6%
Retirement age	65 years

Support staff defined benefit pension plan.

The Support Staff pension plan was last valued on December 31, 2004. These valuations were projected to December 31, 2006 and 2007. The accrued benefit asset was adjusted to March 31, 2007 by including employer contributions made between January and March of 2007. The actuarial valuation projects a deficit of $636,700 for the SSRSB and a deficit of $62,300 for the TCRSB for a total deficit of $699,000. Plan assets are recorded at market value. The Board uses the Projected Unit Credit method of actuarial costs, which is prorated on service.

The following table shows the plan's pension expense for the 2007 fiscal year, expected benefit asset as at March 31, 2007 and a reconciliation of the accrued benefit asset as at March 31, 2007.

March 31, 2007 Expense
Support Staff:

	South Shore	Tri-County	Total plan
Pension Expenditure/Expense:			
Current Service Cost (net of employee contributions)	$ 459,800	$ 195,100	$ 654,900
Amortization of actuarial losses	56,600	6,500	63,100
Pension Interest expenditure/expense:			
Interest cost on accrued benefit obligation	$ 462,700	$ 39,800	$ 502,500
Expected return on plan assets	(477,700)	42,800	520,500
Total fiscal 2007 pension expense	$ 501,400	$ 198,600	$ 700,000

Tri-County Regional School Board
Notes to the Financial Statements

March 31, 2007

4. Defined benefit pension plans (continued)

Development of Accrued Benefit (Liability) as at end of March 31, 2007

Support Staff:	South Shore	Tri-County	Total plan
Accrued benefit asset (liability) as at March 31, 2006	$ (375,800)	$ 46,500	$ (329,300)
Fiscal 2007 (expense) income	(501,400)	(198,600)	(700,000)
Fiscal 2007 school board contributions	530,800	206,400	737,200
Accrued benefit asset (liability) as at March 31, 2007	$ (346,400)	$ 54,300	$ (292,100)

Reconciliation of the Accrued Benefit Asset as at March 31, 2007

Support Staff	South Shore	Tri-County	Total plan
Assets	$ 9,285,700	$ 909,700	$ 10,195,400
Accrued benefit obligation	9,922,400	972,000	10,894,400
Funded status as at March 31, 2007	(636,700)	(62,300)	(699,000)
Less: unamortized actuarial losses (gains)	197,400	82,000	279,400
Plus: employer contributions January to March 2007	92,900	34,600	127,500
Accrued benefit assets (liability) as at March 31, 2007	$ (346,400)	$ 54,300	$ (292,100)

Major assumptions regarding the Support Staff pension plan are as follows:

Discount rate -effective April 1, 2006 and later	5%
-up to and including March 31, 2006	6%
Expected rate of return on plan assets	6%
Annual salary increases	3%
Interest credited on employee contributions	6%
Retirement age	60 years

Defined benefit pension plans (continued)

The combined Defined Benefit Pension Plans for the Tri-County Regional School Board is recorded on the balance sheet as follows:

Accrued Benefit Liability – March 31, 2007	$ 115,000
Accrued Benefit Liability – March 31, 2006	$ 179,200

Other pension plans

The School Board's teaching staff is covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers Pension Act. Employer contributions for these employees are provided directly by the Province of Nova Scotia. Some non-teaching employees are covered by a multi-employer pension plan by the Nova Scotia School Board Association. This plan contains both a defined benefit plan and a defined contribution plan. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

Tri-County Regional School Board
Notes to the Financial Statements

March 31, 2007

5. Trust Funds under Administration

Trust fund assets administered by the School Board are identified in Schedule D. The Trust funds represent capital contributed in trust as well as income thereon. Such income is used to provide scholarships for eligible students or expenditures for specifically, designated purposes.

6. Contractual Obligations

Minimum payments over the next five years are as follows:

	Rental Leases	Copier Leases	Energy Management	Total
2008	$ 280,765	$ 63,167	$ 7,174	$351,106
2009	254,301	34,892		289,193
2010	249,459	26,117		275,576
2011	249,459	25,634		275,093
2012	187,094			187,094
Total	$ 1,221,078	$ 149,810	$ 7,174	$1,378,062

Energy Management Contract

The Shelburne County District School Board (prior to 1996) had entered into an energy management contract with Nova Scotia Power Services Limited. The Tri-County Regional School Board is required to pay $5,242 per month until the contract expires.

7. Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

8. Commitments and contingencies

Service Awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Shelburne District - $90 per years of service (maximum 35 years)
Yarmouth District - 0.75 of 1% of annual salary (maximum TC6) per years of service (maximum 30 years)
Digby District - $80 per years of service (maximum 30 years)
Clare-Argyle District - 0.6 of 1% of annual salary per years of service (maximum 35 years)

Tri-County Regional School Board
Notes to the Financial Statements

March 31, 2007

8. Commitments and contingencies (continued)

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and the Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

For all service commencing on or after August 1, 2002 under the terms of agreement with the NSTU and Province of Nova Scotia the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years of service with the Board. The amount of the award is as follows: 1% of each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia.

Continuity of Service Award Allowance Liability	**March 31, 2007**	March 31, 2006
Opening benefit obligation, beginning of the year	**$ 1,658,400**	$ 1,644,000
Current service cost	**201,700**	133,300
Interest on obligation	**64,300**	96,100
Less: benefits paid	**(787,200)**	(237,800)
Actuarial (gains) losses	**1,695,700**	22,800
Closing benefit obligation, end of year	**2,832,900**	1,658,400
Pension assets, at market related values	**0**	0
Funded status – surplus (deficiency)	**(2,832,900)**	(1,658,400)
Unamortized actuarial (gains) losses	**609,948**	(1,173,948)
Accrued benefit asset (liability)	**$ (2,222,952)**	$ (2,832,348)

Collective agreements

The collective agreement with the Nova Scotia Government Employees Union expired on March 31, 2006. There has been no contract settlement as of the time the financial statements were prepared, however an accrual has been recorded for the estimated increase.

SEIU & CUPE collective agreements expired on March 31, 2007. As at the date of the financial statement preparation, no settlements have been reached.

Environmental Matters

As at year end there are amounts likely to be incurred with respect to clean up of oil contaminated soil at the Ragged Islands School Site. The amounts required to fund the removal of contaminated soil are not determinable as of the date of the financial statement preparation, therefore, no liability has been accrued.

Tri-County Regional School Board
Notes to the Financial Statements
March 31, 2007

8. Commitments and contingencies (continued)

Sick leave

The Board has not recognized in these consolidated financial statements, the liability associated with accumulated sick leave as the liability cannot be reasonably estimated.

9. Bank Indebtedness

The Board had an operating line of credit of $560,000, as of March 31, 2007, with the Bank of Montreal. As of March 31, 2007, this line of credit has not been utilized.

10. Comparative Figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statements presentation adopted for the current year.

Upper Clements Family Theme Park Limited
Unaudited
Balance Sheet
as at March 31, 2007

	2007	2006
Assets		
	-	-
Liabilities and Equity		
Equity		
Capital Stock	1	1
Contributed surplus	5,667,174	5,667,174
Deficit	(5,667,175)	(5,667,175)
	-	-
	-	-

Upper Clements Family Theme Park Limited
Unaudited
Statement of Income and Deficit
for the year ended March 31, 2007

	2007	2006
Revenue		
Contributions from the Province	25,932	95
	25,932	95
Expenses		
Worker's Compensation	25,773	
Legal Services	159	
Dues and fees	-	95
	25,932	95
Net Income	-	-
Deficit, beginning of year	(5,667,175)	(5,667,175)
Prior year adjustment	-	-
Adjusted deficit, beginning of year	(5,667,175)	(5,667,175)
Deficit, end of year	(5,667,175)	(5,667,175)

Unaudited

VICTIMS' ASSISTANCE FUND

Balance Sheet
As at March 31, 2007

		2007		2006
ASSETS				
Cash in Bank	$	336,901.76	$	232,280.79
Investments		298,979.98		238,399.09
		635,881.74		**470,679.88**
FUND BALANCE	$	**635,881.74**	$	**470,679.88**

Continuity of Fund
For the year ended March 31, 2007

		2007		2006
Balance, beginning of year	$	470,679.88	$	572,521.72
Receipts:				
Investment income		5,208.11		10,522.34
Bank interest		9,004.85		4,789.64
Deposits		1,288,195.60		1,020,919.19
		1,302,408.56		1,036,231.17
Disbursements		(1,140,206.70)		(1,138,073.01)
Balance, end of year	$	**632,881.74**	$	**470,679.88**

Note to the Financial Statements
As at March 31, 2007

The Investments balance at March 31, 2007 consists of $300,000 BNS Banker's Acceptance earning 4.300% interest from March 29, 2007 to April 27, 2007.

Waterfront Development Corporation Limited

Consolidated Financial Statements

March 31, 2007

Grant Thornton

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Management Statement on Financial Reporting

To the Shareholder of
Waterfront Development Corporation Limited

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. A Finance, Audit and Risk Management Committee of non-management Directors is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Directors prior to their approval of the consolidated financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholder's auditors review the consolidated financial statements in detail and meet separately with both the Finance, Audit and Risk Management Committee and management to review their findings. Grant Thornton LLP, Chartered Accountants report directly to the shareholder.

Bill Campbell
Acting President
May 4, 2007

Eric Thomson
Chair
Board of Directors
May 4, 2007

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Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the consolidated balance sheet of **Waterfront Development Corporation Limited** at March 31, 2007 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 4, 2007

Grant Thornton LLP
Chartered Accountants

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Waterfront Development Corporation Limited Consolidated Statement of Earnings and Retained Earnings

Year Ended March 31	2007	2006
Revenue		
Rents	$ 3,262,729	$ 3,138,337
Recoveries	241,851	58,607
Interest income	533	2,769
Other income	27,050	7,594
Provincial grant revenue	178,400	133,400
	3,710,563	3,340,707
Property expenses		
Property taxes	23,702	20,078
Operating	769,358	739,880
Depreciation and amortization	260,432	309,875
	1,053,492	1,069,833
Halifax Harbour Festival		
Revenue (Page 14)	21,163	10,950
Expense (Page 14)	113,715	127,672
	(92,552)	(116,722)
Lunenburg real estate and development projects		
Revenue (Page 14)	756,469	227,127
Expense (Page 14)	756,469	227,127
	-	-
Tall Ships revenue	-	-
Tall Ships expense	112,677	-
	(112,677)	-
Income before other items	2,451,842	2,154,152
Corporate expenses		
Directors' fees and expenses	70,657	69,177
Doubtful accounts expense	20,132	8,025
Office operations	107,286	86,141
Professional fees		
Audit	15,675	18,455
Programs	274,312	82,661
Consulting	60,827	-
Legal fees	16,728	87,391
Salaries, contracts and benefits	565,634	514,019
Waterfront promotions and public relations	73,600	38,613
	1,204,851	904,482
Loan interest	236,649	209,562
Depreciation on facilities for public access	90,188	80,357
Contribution to non-owned infrastructure	-	51,195
	326,837	341,114
Net earnings before appropriations	920,154	908,556
Transfer (to) from Special Events and Festivals Fund (Note 8)	(116,722)	116,722
Transfer to Infrastructure Renewal Fund (Page 15)	(400,000)	(400,000)
Net earnings	403,432	625,278
Retained earnings, beginning of year	4,907,240	4,281,962
Retained earnings, end of year	$ 5,310,672	$ 4,907,240

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Consolidated Balance Sheet

March 31	2007	2006
Assets		
Current		
Cash and cash equivalents	$ -	$ 152,764
Receivables - trade	1,531,724	497,295
Notes receivable (Note 3)	2,846	9,093
Prepaids	30,472	46,270
Deferred costs	371,480	114,025
	1,936,522	819,447
Notes receivable (Note 3)	-	2,846
Real estate and development projects (Note 4)	33,001,763	33,018,845
Deferred costs	46,152	-
Deferred pension costs	6,349	7,256
	$ 34,990,786	$ 33,848,394
Liabilities		
Current		
Bank indebtedness	$ 228,475	$ -
Demand loan (Note 6 (i))	2,885,000	-
Payables and accruals	897,985	425,239
Deferred revenue (Note 5)	177,609	468,553
	4,189,069	893,792
Deferred capital grant related to Lunenburg real estate and development projects	471,416	-
Deferred revenue (Note 5)	2,453,668	2,459,977
Deferred contribution related to Lunenburg real estate and development projects (Note 14)	4,641,990	5,500,000
Loans payable (Note 6 (ii))	1,095,647	3,895,647
	12,851,790	12,749,416
Shareholder's Equity		
Capital stock (Note 7)	3	3
Contributed surplus	13,747,826	13,747,826
Special Events and Festivals Fund (Notes 6 and 8)	250,000	133,278
Infrastructure Renewal Fund (Note 9 and Page 15)	2,830,495	2,310,631
Retained earnings	5,310,672	4,907,240
	22,138,996	21,098,978
	$ 34,990,786	$ 33,848,394

Commitments (Note 11)
Contingencies (Note 13)

On behalf of the Board

____________________ Director ____________________ Director

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Consolidated Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings before appropriations	$ 920,154	$ 908,556
Depreciation and amortization	350,620	390,232
	1,270,774	1,298,788
Change in non-cash operating working capital (Note 10)	(848,585)	(622,913)
	422,189	675,875
Financing		
Interest earned on Infrastructure Renewal Fund	119,864	68,127
Decrease in notes receivable	9,093	61,075
Increase in demand loan	2,885,000	-
Decrease in loans payable	(2,800,000)	(1,400,000)
	213,957	(1,270,798)
Investing		
Purchase of equipment	(177,287)	(18,085)
Purchase of real estate and development projects, net	(1,048,845)	(5,641,499)
Sale of Lunenburg real estate	800,000	-
Deferred revenue	(297,253)	797,097
Deferred capital grant	506,000	-
Deferred contribution related to real estate and development projects in Lunenburg	(800,000)	5,500,000
	(1,017,385)	637,513
Net (decrease) increase in cash and cash equivalents	(381,239)	42,590
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	152,764	110,174
End of year	$ (228,475)	$ 152,764

See accompanying notes to the consolidated financial statements.

Waterfront Development Corporation Limited
Notes to the Consolidated Financial Statements

March 31, 2007

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor on March 30, 1976.

The Corporation's mission is to service as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour and other locations as determined by the shareholder as detailed in the order in Council No 2005-373 dated August 19, 2005.

On September 20, 2005, the Corporation purchased significant holdings in the town of Lunenburg, as well as a numbered company 3104102 N.S. Limited, which held additional properties in the town. This was done in cooperation with the Province to protect the working waterfront in Lunenburg.

2. Summary of significant accounting policies

Basis of accounting

These financial statements are prepared on a consolidated basis. The Corporation holds certain real estate assets through 3104102 N.S. Limited which is consolidated.

Revenue recognition

Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation receives amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess has been recorded as deferred revenue.

Government assistance for capital projects is accounted for as a deferred capital grant. The grant is amortized and taken into income at the same rate as amortization expense on the assets to which the grant relates.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 4 is amortized over its term.

Waterfront Development Corporation Limited
Notes to the Consolidated Financial Statements

March 31, 2007

2. Summary of significant accounting policies (continued)

Real estate and development projects
On an annual basis, the Corporation reviews the carrying amounts of properties held and used in the fulfilling of its mandate. This includes both revenue producing properties as well as properties held for the greater public interest.

If a change in circumstances or occurrence of particular events indicates that such carrying values may be impaired, the amount of the loss is determined by deducting the asset's fair value (as determined by an independent appraisal or comparison to objective market values of comparable properties) from its carrying value.

There are ongoing negotiations for potential development projects on the Bedford, Dartmouth, Halifax and Lunenburg waterfronts. The outcome of these negotiations and the possible financial impact on fair market value of the existing land and buildings is indeterminable at this time.

Non-owned infrastructure
The Board of Directors approves expenditures related to improvements to facilities for public access which are not owned or leased by the Corporation. These expenditures are expensed as incurred.

Use of estimates
In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents and bank indebtedness
Cash and cash equivalents, net of bank indebtedness, is comprised of cash on hand and cash held in banks.

Financial Instruments
The fair value of cash and cash equivalents, receivables, payables and accruals, and loans payable approximate their carrying amounts because of their short term to maturity.

Receivables are subject to credit risk. In management's opinion these risks are not significant.

Waterfront Development Corporation Limited
Notes to the Consolidated Financial Statements

March 31, 2007

3. Notes receivable

	2007	2006
Note receivable bearing interest at 9%, repayable in blended monthly payments of $253, maturing March 2008.	$ 2,846	$ 5,502
Note receivable, repaid in the current year	-	6,437
	2,846	11,939
Less: Current portion	2,846	9,093
	$ -	$ 2,846

4. Real estate and development projects

			2007	2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Facilities for public access	$ 6,869,393	$ 1,711,145	$ 5,158,248	$ 5,248,436
Real estate and development projects				
HRM	28,640,707	5,439,182	23,201,525	22,270,409
Lunenburg (Note 14)	4,700,000	58,010	4,641,990	5,500,000
	33,340,707	5,497,192	27,843,515	27,770,409
	$ 40,210,100	$ 7,208,337	$ 33,001,763	$ 33,018,845

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

5. Deferred revenue

	2007	2006
Current		
Deposits for project developments and programs	$ 177,609	$ 222,608
Lunenburg operations	-	245,945
	$ 177,609	$ 468,553
Long-term		
Bedford infill	$ 2,230,858	$ 2,341,462
Amount for development of Halifax waterfront (Note 11 (iii))	222,810	118,515
	$ 2,453,668	$ 2,459,977

The Corporation receives amounts from third parties for dumping fill in Bedford. The intent is to develop the property and utilize this long-term deferred revenue in that development over future periods.

In the current year, amounts expended on the Bedford infill exceeded amounts received and, therefore, the deficiency was deducted from the deferred revenue.

Waterfront Development Corporation Limited
Notes to the Consolidated Financial Statements
March 31, 2007

6. Credit facility

(i) The Corporation's previous credit facilities expired on February 15, 2007. On that date the Corporation entered into a new credit agreement with the Royal Bank of Canada. The new agreement provides an available credit facility of $3.6 million at the Bank's prime rate. As at year end $2,885,000 was drawn down against this facility.

The Corporation is currently in the process of arranging for a $6 million facility at the Royal Bank of Canada's prime rate less 1.125%. This facility would be guaranteed by the Province of Nova Scotia and would replace the existing $3.6 million facility.

(ii) Loans payable

	2007	2006
Capital projects	$ -	$ 2,800,000
Office of Economic Development, non-interest bearing	1,095,647	1,095,647
	$ 1,095,647	$ 3,895,647

The loan from the Office of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

Cash flows resulting from the following have been used to repay the loans related to capital projects. If segregated funding was required or costs incurred to finance related developments and activities, the loans payable for capital projects would have to increase from $2,885,000 to $8,196,353 and total loans to $9,292,000 through additional borrowings and other available funding as illustrated below:

	2007	2006
Capital projects:		
Loan payable	$ 2,885,000	$ 2,800,000
Bedford infill (Note 5)	2,230,858	2,341,462
Special Events and Festival Fund (Note 8)	250,000	133,278
Infrastructure Renewal Fund (Note 9 and Page 5	2,830,495	2,310,631
	8,196,353	7,585,371
Office of Economic Development, non-interest bearing	1,095,647	1,095,647
	$ 9,292,000	$ 8,681,018

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7. Capital stock	2007	2006
Authorized:		
5,000 shares without nominal or par value		
Issued:		
3 shares	$ 3	$ 3

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

8. Special Events and Festivals Fund

The Special Events and Festivals Fund has been established to provide a source of initial funding for future events and festivals that the Corporation promotes.

The Corporation has not established a separate cash investment account for this Fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 6). Any expenditure from this Fund will be funded from the current credit facility.

9. Infrastructure Renewal Fund

The Infrastructure Renewal Fund (Page 15) shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the Fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the Fund based on the interest rate paid on the credit facility.

The Corporation has not established a separate cash investment account for the Infrastructure Renewal Fund. All excess cash of the Corporation has been applied against the capital project loan payable (refer to Note 6). Any expenditure from this Fund will be funded from the current credit facility.

10. Supplemental cash flow information	2007	2006
Change in non-cash operating working capital		
Receivables - trade	$ (1,034,429)	$ (205,485)
Prepaids	15,798	(22,316)
Deferred costs	(303,607)	(72,135)
Deferred pension costs	907	907
Payables and accruals	472,746	(323,884)
	$ (848,585)	$ (622,913)
Interest paid	$ 236,649	$ 209,562

Waterfront Development Corporation Limited
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11. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2008	$ 1,146
2009	1,146
2010	1,146
2011	1,146
2012	1,146

(ii) The Corporation has agreed to provide compensation, not to exceed $22,000, to replace fish habitat displaced as a result of the Salter Street Development.

(iii) The Corporation has entered into an agreement with an existing combined residential and commercial building on the Halifax waterfront to allow partial early conversion of the complex into condominium units. The Corporation will receive total compensation of $500,000 over a five year period, the timing of payments being contingent on the sale of condo units. Payment will be either by way of direct cash payment to the Corporation or by the construction of amenities on the Halifax waterfront by the vendor of the condo units. The Corporation has committed to use the direct cash compensation received on the construction of amenities on the Halifax waterfront. In the current fiscal year, the Corporation has recognized $227,760 as deferred revenue and expended $4,950 on amenities, for a net deferred balance of $222,810 (refer to Note 5).

(iv) Subsequent to year end the Corporation signed a Memorandum of Understanding (MOU) for the purchase of certain waterlots from the Halifax Port Authority. The purchase price for these lots is approximately $189,000.

(v) The Corporation is in the process of having a draft Memorandum of Understanding (MOU) approved for the use of certain waterlots owned by the Halifax Port Authority (HPA). This MOU is broadly based and intended to be applied to a particular lot presently being negotiated as well as future arrangements. The annual rent for the particular lot currently being discussed is expected to be approximately $25,000. It is expected that these funds, rather than being paid to HPA, will be set aside in a "Public Amenity Fund" to be used for the improvement of public space on the Halifax waterfront as mutually agreed to by the Corporation and HPA.

(vi) The Corporation has entered into an agreement with Sail Training International for the purpose of securing Halifax as a host port for The Tall Ships Atlantic Challenge 2009. The fee will be approximately €120,000. Of this, €30,000 has been billed and paid to date.

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March 31, 2007

12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Service Superannuation Plan. The Plan required payments for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this Plan was completed as at December 31, 2005 and includes pension assets of $3,431,682,000, and pension liabilities of $3,899,062,000, resulting in an unfunded liability of $467,380,000. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only eight employees.

13. Contingencies

(i) Certain of the Corporation's claim over post-confederation waterlots are being disputed by the Halifax Port Authority (HPA). The Corporation and HPA have, in principle, approved a settlement which will involve WDCL purchasing certain lands and leasing others based upon appraisals. A formal Memorandum of Understanding will be agreed to and executed to detail the nature of the transactions – (Note 11 (iv) and (v)).

(ii) Contracts exist with developers respecting the Salter Street Development and Queen's Landing/Maritime Museum expansion project which may require a future commitment of the Corporation. The potential future commitment of the Salter Street Development is $1,000,000 and the Queen's Landing/Maritime Museum expansion project amount is undeterminable at this time.

(iii) The Corporation has been named in a claim presented to the courts, claiming breach of contracts in respect of a purchase and sale agreement for land in Bedford, Nova Scotia. The outcome is undetermined at this time and no amounts have been recorded in these financial statements.

14. Business acquisition

On September 20, 2005, the Corporation acquired real estate properties in the Town of Lunenburg by way of a 100% share purchase of 3104102 N.S. Limited and direct asset purchases.

The purchase price of $5,500,000 was funded by the Province through a grant. The purchase price was allocated to the assets based on their fair value as determined by management. The allocation was also used to determine the value of the assets in 3104102 N.S. Limited, the wholly-owned subsidiary.

During the year, a formal asset valuation was undertaken and as a result of this valuation, the allocation of the $5,500,000 cost of the Lunenburg assets was changed. The impact was to reduce the cost allocated to the assets and shareholders equity in 3104102 Nova Scotia Limited by $430,212.

Waterfront Development Corporation Limited
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14. Business acquisition (continued)

The following table represents a summary of financial information of the subsidiary as at March 31, 2007:

	2007	2006
Assets	$ 3,019,113	$ 3,449,325
Liabilities	$ 3,129,592	3,158,510
Shareholder's (deficit) equity	(110,479)	290,815
	$ 3,019,113	$ 3,449,325
Revenues	$ 165,219	$ 6,508
Expenses	165,219	6,508
Net earnings	$ -	$ -

The Province has provided funding for operations to cover all costs resulting from operations, as such there were no net cash flows. There were no financing or investing cash flows during the period.

The Lunenburg assets consist of land, buildings and wharves. These assets have been shown as a separate line item within the Real Estate and Development Projects schedule in Note 4 to the financial statements. This is to recognize these assets as a unique group whose title with the Corporation may not necessarily be long term in nature. It is the intention of the Corporation, based on direction from the Province, to transfer these assets to another legal entity pending development of a business plan and certain other arrangements as required by the Province.

15. Related party transactions

During the year the Corporation transacted business with various Departments and Crown Corporations of the Province of Nova Scotia. These transactions included market rent charged to these entities for use of the Corporation's assets. Other revenues received from related parties include operating grants, a capital grant and a reimbursement under an indemnity agreement. Various expenditures were incurred by the Corporation for transactions with these same related parties for a secondment, payroll benefits, consulting and legal services.

Waterfront Development Corporation Limited Schedule of Revenue and Expense for the Halifax Harbour Festival

Year Ended March 31	2007	2006
Revenue		
Private sponsorship	$ 8,250	$ 8,950
Government grant and sponsorships	500	2,000
Earned income	12,413	-
	21,163	10,950
Expense		
Administration	59,620	77,168
Marketing	17,877	26,740
Venue expenses	36,218	23,764
	113,715	127,672
Excess of expenditures over revenue	$ (92,552)	$ (116,722)

Waterfront Development Corporation Limited Schedule of Revenue and Expense for the Lunenburg Real Estate and Development Projects

Year Ended March 31	2007	2006
Revenue		
Rents	$ 183,495	$ 30,902
Provincial grant revenue	572,974	196,225
	756,469	227,127
Expense		
Administration	7,858	6,324
Depreciation	58,010	-
Professional fees	105,704	54,688
Property taxes	1,521	816
Operating	583,376	165,299
	756,469	227,127
Excess of revenue over expenditures	$ -	$ -

Waterfront Development Corporation Limited
Schedule of Revenue, Expense and Fund Balance for the Infrastructure Renewal Fund

Year Ended March 31	2007	2006
Revenue		
Interest	$ 119,864	$ 68,127
Net of revenues over expenses	$ 119,864	$ 68,127
Fund Balance, beginning of year	$ 2,310,631	$ 1,842,504
Net of revenues over expenses	119,864	68,127
Transfer from operations	400,000	400,000
Fund Balance, end of year	$ 2,830,495	$ 2,310,631

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